

CleanTech Innovations, Inc.
Form 10-Q
August 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission file number: 001-35002

CLEANTECH INNOVATIONS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation
or organization)

98-0516425
(IRS Employer Identification No.)

C District, Maoshan Industry Park,
Tieling Economic Development Zone,
Tieling, Liaoning Province, China
(Address of principal executive offices)

112616
(Zip Code)

(86) 0410-6129922
(Registrant's telephone number, including area code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Edgar Filing: CleanTech Innovations, Inc. - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “non-accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 8,327,607 shares of common stock outstanding as of July 14, 2014.

Table of Contents

CleanTech Innovations, Inc.

Table of Contents

	Page
<u>Note about Forward-Looking Statements and Other Information</u>	3
PART I. FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	28
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	29
Item 1A. <u>Risk Factors</u>	29
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 3. <u>Defaults Upon Senior Securities</u>	30
Item 4. <u>Mine Safety Disclosures</u>	30
Item 5. <u>Other Information</u>	30
Item 6. <u>Exhibits</u>	30
<u>Signatures</u>	31
<u>Exhibit Index</u>	32

Table of Contents

NOTE ABOUT FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which include, but are not limited to, statements concerning our projected revenues, expenses, gross profit and income, mix of revenue, demand for our products, the benefits and potential applications for our products, the need for additional capital, our ability to obtain and successfully perform additional new contract awards and the related funding and profitability of such awards, the competitive nature of our business and markets and product qualification requirements of our customers. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "predicts," "potential," "believes," "seeks," "hopes," "estimates," "should," "may," "will," "with" variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Such factors include, but are not limited to the following:

- our goals and strategies;
- our expansion plans;
- our future business development, financial conditions and results of operations;
- the expected growth of the market for structural towers for wind turbine products and specialty metal products;
 - our expectations regarding demand for our products;
- our expectations regarding keeping and strengthening our relationships with key customers;
 - our ability to stay abreast of market trends and technological advances;
- our ability to protect our intellectual property rights effectively and not infringe on the intellectual property rights of others;
 - our ability to attract and retain quality employees;
 - our ability to pursue strategic acquisitions and alliances;
 - competition in our industry in China;
- general economic and business conditions in the regions in which we sell our products;
 - relevant government policies and regulations relating to our industry; and
 - market acceptance of our products.

Additionally, this report contains statistical data that we obtained from various publicly available government publications and industry-specific third party reports. Statistical data in these publications also include projections based on a number of assumptions. The markets for our products may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our common stock. In addition, the changing nature of our customers' industries results in uncertainties in any projections or estimates relating to the growth prospects or future condition of our markets. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions.

Unless otherwise indicated, information in this report concerning economic conditions and our industry is based on information from independent industry analysts and publications, as well as our estimates. Except where otherwise noted, our estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry, which we believe to be reasonable. None of the market data from independent industry publications cited in this report was prepared on our or our affiliates' behalf.

Additional information on the various risks and uncertainties potentially affecting our operating results are discussed in this report and other documents we file with the Securities and Exchange Commission, or the SEC, or available upon written request to our corporate secretary at C District, Maoshan Industry Park, Tieling Economic Development Zone, Tieling, Liaoning Province, China. We undertake no obligation to revise or update publicly any forward-looking statements for any reason, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Deposits	\$-	\$270,000
Total current assets	-	270,000
Assets of discontinued operations	-	29,733,635
TOTAL ASSETS	\$-	\$30,003,635
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$-	\$121,134
Accrued expenses and other payables	4,554,014	4,109,499
Short term loans	10,581,731	10,688,951
Total current liabilities	15,135,745	14,919,584
Liabilities of discontinued operations	-	5,861,443
Total Liabilities	15,135,745	20,781,027
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.00001 par value, 66,666,667 shares authorized, 3,251,139 and 8,327,607 shares issued and outstanding at June 30, 2014 and December 31, 2013	33	83
Additional paid in capital	17,353,663	20,649,259
Statutory reserve fund	-	1,104,138
Accumulated other comprehensive income	-	4,105,963
Accumulated deficit	(20,305,919)	(16,636,835)
	(2,952,223)	9,222,608
Less: treasury stock, at cost; 5,076,468 shares of common stock	(12,183,522)	-
Total stockholders' equity (deficit)	(15,135,745)	9,222,608

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$-	\$30,003,635
--	-----	--------------

The accompanying notes are an integral part of these financial statements.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)

	Six Months ended June 30,		Three Months ended June 30,	
	2014	2013	2014	2013
Net sales	\$-	\$-	\$-	\$-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
General and administrative	330,035	-	357,833	-
Total operating expenses	330,035	-	357,833	-
Loss from operations	(330,035)	-	(357,833)	-
Non-operating income (expenses)				
Interest expense	(444,515)	(941,077)	(222,719)	(599,104)
Total non-operating expenses	(444,515)	(941,077)	(222,719)	(599,104)
LOSS FROM CONTINUING OPERATIONS	(774,550)	(941,077)	(580,552)	(599,104)
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	(452,974)	(1,342,692)	(1,097,928)	(774,824)
LOSS ON DISPOSAL OF SUBSIDIARIES	(10,711,186)	-	(10,711,186)	-
Net loss	(11,938,710)	(2,283,769)	(12,389,666)	(1,373,928)
Foreign currency translation gain	-	601,097	-	507,690
Comprehensive loss	\$(11,938,710)	\$(1,682,672)	\$(12,389,666)	\$(866,238)
Basic and diluted weighted average shares outstanding	7,766,672	8,327,607	7,211,900	8,327,607
Basic and diluted loss per share from continuing operations	\$(0.10)	\$(0.11)	\$(0.08)	\$(0.07)
Basic and diluted loss per share from discontinued operations	\$(1.44)	\$(0.16)	\$(1.64)	\$(0.09)
Basic and diluted loss per share	\$(1.54)	\$(0.27)	\$(1.72)	\$(0.16)

The accompanying notes are an integral part of these financial statements

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)

	Six Months ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(11,938,710)	\$(2,283,769)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	270,852	335,119
Amortization of interest expense	22,888	29,844
Changes in bad debt allowance	(426,885)	672,474
Provision for inventory impairment	885,611	107,863
Loss from disposal of subsidiaries	10,711,186	-
(Increase) decrease in assets:		
Accounts receivable	694,034	(186,321)
Retentions receivable	677,605	1,056,793
Notes receivable	735,534	367,888
Other receivables, deposits and prepayments	636,527	30,209
Advances to suppliers	93,804	(231,888)
Inventories	(901,607)	(600,271)
Increase (decrease) in liabilities:		
Accounts payable	(448,596)	(429,579)
Accrued expenses and other payables	342,080	1,188,440
Advance from customers	(100,834)	544,484
Taxes payable	(21,124)	(132,070)
Net cash provided by operating activities	1,232,365	469,216
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	243,585	-
Acquisition of property & equipment	(38,794)	(12,161)
Long term investment receipt	-	96,134
Cash disposed with discontinued operations	(177,483)	-
Net cash provided by investing activities	27,308	83,973
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due from shareholder	-	(89,517)
Advances from shareholder	990,459	-
Repayment of short term loans	(2,255,639)	(384,535)
Net cash used in financing activities	(1,265,180)	(474,052)
EFFECT OF EXCHANGE RATE CHANGE ON CASH & EQUIVALENTS	(2,671)	1,333
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	(8,178)	80,470

CASH & EQUIVALENTS, BEGINNING OF PERIOD	8,178	42,996
CASH & EQUIVALENTS, END OF PERIOD	\$-	\$ 123,466
Supplemental Cash flow data:		
Income tax paid	\$-	\$-
Interest paid	\$71,082	\$ 154,290

The accompanying notes are an integral part of these financial statements.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Background of the Company

CleanTech Innovations, Inc., formerly known as Everton Capital Corporation (the “Company” or “CleanTech”), was incorporated on May 9, 2006, in the State of Nevada. Through its wholly owned operating subsidiaries in China, the Company designs, manufactures tests and sells structural towers for on-land and off-shore wind turbines. The Company also manufactures specialty metal products that require advanced manufacturing and engineering capabilities, including bellows expansion joints and connecting bend pipes used for waste heat recycling in steel production, in ultra-high-voltage electricity transmission grids and in industrial pressure vessels.

Liaoning Creative Bellows Co., Ltd. (“Creative Bellows”) was incorporated in the PRC province of Liaoning on September 17, 2007. Creative Bellows designs and manufactures bellows expansion joints, pressure vessels, wind tower components for wind turbines and other fabricated metal specialty products. On May 26, 2009, the three individual shareholders of Creative Bellows established Liaoning Creative Wind Power Equipment Co., Ltd. (“Creative Wind Power”). During 2009, the three shareholders transferred their Creative Wind Power shares to Creative Bellows at cost. As a result of the transfer of ownership, Creative Bellows owned 100% of Creative Wind Power. Creative Wind Power markets and sells wind tower components designed and manufactured by Creative Bellows.

The Exchange Agreement and the Divesture

On June 11, 2014, CleanTech entered into a Divesture and Exchange Agreement (the “Exchange Agreement”) with certain controlling shareholders of CleanTech, including Ping Chen, Shengfen Lin, Wenge Chen, Bei Lu and Dianfu Lu (collectively, the “Controlling Shareholders”). Bei Lu and Dianfu Lu were also officers and directors of the Company. The Controlling Shareholders collectively own 15,229,403 shares (pre-Reverse Split) of the Company’s common stock (the “Controlling Shares”), or 61.0% of the total number of the Company’s outstanding shares.

Pursuant to the Exchange Agreement, the Controlling Shareholders agree to transfer all of the Controlling Shares to the Company in exchange for the transfer by the Company of its wholly owned Chinese subsidiaries, Creative Wind Power and Creative Bellows (collectively the, “China Subsidiaries”) to the Controlling Shareholders or their designees. The China Subsidiaries represent all of the Company’s China-based business. We refer to these transfers as the “Divesture”.

The Exchange Agreement is subject to various conditions, including that the Controlling Shares and the Company’s ownership interests in Creative Bellows and Creative Wind Power (the “Subsidiary Interests”) be deposited into and held in escrow pursuant to the terms of a separately-executed escrow agreement (the “Escrow Agreement”). The release of the Controlling Shares and the Subsidiary Interests and consummation of the Exchange Agreement is further subject to the requirement that the Company promptly form a wholly owned British Virgin Islands corporation (the “BVI Subsidiary”). Upon formation of the BVI Subsidiary, the Company was required to effectuate the transfer of the Subsidiary Interests to the BVI Subsidiary followed by its transfer of all of the Company’s ownership interest in the BVI Subsidiary to the Controlling Shareholders. The Exchange Agreement is also subject to customary representations and warranties of the parties and provides for cross-indemnification to either party in the case of certain liabilities to either party. As of June 30, 2014, the BVI Subsidiary was formed; the Subsidiary Interests and the Controlling Shares were deposited into the escrow account on June 12, 2014; the Controlling Shareholders were no longer the shareholders of the Company commencing June 12, 2013; for accounting purposes, the disposal of the China

Subsidiaries was closed on June 12, 2014 and has been accounted for in these financial statements.

On June 11, 2014, in consideration of the Exchange Agreement and the related transactions, the Company's largest creditor, NYGG (Asia) Ltd., a British Virgin Islands corporation ("NYGG"), entered into a Forbearance and Waiver Agreement with the Company (the "Forbearance Agreement"). Pursuant to the Forbearance Agreement, NYGG and its affiliates agree to forbear from exercising certain of their respective rights and remedies related to the Company's debt obligations to them and certain events of default thereunder. The forbearance period extends from June 11, 2014 until the first to occur of: (i) September 10, 2014, (ii) the transfer of the Controlling Shares to the Company in exchange for the transfer of the Subsidiary Interests to the Controlling Shareholders; and (iii) the termination of the Exchange Agreement. Upon the earlier to occur of (i) the occurrence of a forbearance default under the Forbearance Agreement (which includes any failure by the Company to comply with and/or diligently pursue the Exchange Agreement) or (ii) the expiration of the forbearance period, NYGG's agreement to forbear shall immediately terminate and it shall thereafter be entitled to exercise all of its rights and remedies with respect to the Company's debt obligations to it. Further to the Forbearance Agreement, NYGG also agrees to unconditionally release each of the China Subsidiaries from all of their debt obligations to NYGG. The terms of NYGG's release and waiver are set forth in a separately-executed Release and Waiver Agreement between NYGG and each of the China Subsidiaries (the "Waiver Agreement").

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

The Merger Agreement

On June 13, 2014, CleanTech entered into an Agreement and Plan of Share Exchange (the “Merger Agreement”) with Six Dimensions and the shareholders of Six Dimensions, pursuant to which, subject to certain conditions, Six Dimensions will become a wholly-owned subsidiary of the Company (the “Merger”).

Pursuant to Merger Agreement, the Company will acquire all of the shares of Six Dimensions in exchange for an aggregate of 88,929,203 (post-Reverse Split) newly issued shares (the “Exchange Shares”) of the Company’s common stock, par value \$0.00001 per share (the “Common Stock”) issued to Six Dimensions’ shareholders in accordance with their pro rata ownership of Six Dimensions equity. In addition, the shares to be exchanged pursuant to the Merger Agreement will be adjusted to reflect the Reverse Split (described below).

On June 12, 2014 the Company obtained shareholder approval to (i) amend its Articles of Incorporation to (A) change its authorized shares of Common Stock, par value \$0.00001 per share, from 66,666,667 to 400,000,000 and (B) change the name of the Company to “6D Global Technologies, Inc.”; (ii) authorize the conversion of the Company into a corporation organized under the laws of the State of Delaware; (iii) complete the Divestiture; and (iv) obtain NYGG’s consent to convert all of its notes, debts and other liabilities made to or on behalf of the Company, into 80,844,730 shares of the Company’s Common Stock. As of date of filing this report, except for the disposition of all of the Company’s China-based operations and assets in exchange for the satisfaction and/or assumption of all liabilities, none of these events has taken place.

Six Dimensions is not obligated to consummate the transactions under the Merger Agreement unless aggregate gross proceeds of not less than \$3 million and not more than \$5.1 million received pursuant to a private placement (the “Private Placement”) of the Common Stock at \$0.90 per share are held in an escrow account, on terms satisfactory to Six Dimensions and the Company, and the conditions to closing the Private Placement are satisfied. In addition, the Company must maintain the listing of its common stock on the NASDAQ Stock Market.

The completion of the Merger is subject to the satisfaction or waiver of certain closing conditions, including, without limitation, (i) the raising and placement into escrow of the proceeds from the Private Placement; (ii) approval by the Company’s shareholders and Board of Directors of the Merger Agreement and other transactions contemplated in connection with the Merger; (iii) the approval by Six Dimensions’ Board of Directors and the Six Dimensions Shareholders of the Merger Agreement and other transactions contemplated thereunder; (iv) the provision by the Company to Six Dimensions of certain financial statements of the Company; and (v) the provision by Six Dimensions to the Company of certain financial statements of Six Dimensions.

The Merger Agreement contains certain termination rights for both Six Dimensions and the Company. In addition, either party may terminate the Exchange Agreement if the Exchange is not consummated by December 31, 2014. The Exchange has not been completed as of June 30, 2014 and as of the date of filing this report.

The foregoing description of the Merger Agreement does not purport to be complete, and is qualified in its entirety by reference to the full text of such agreement filed on June 17, 2014 as an annex to the Company’s Current Report on Form 8-K, which is hereby incorporated into this Quarterly Report on Form 10-Q by reference.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

The Reverse Stock Split

On July 31, 2014, the Company filed a Certificate of Change pursuant to Section 78.209 of the Nevada Revised Statutes (the “Certificate of Change”) with the Secretary of State of the State of Nevada to effect a one (1)-for-three (3) reverse stock split (the “Reverse Split”) of the authorized and issued and outstanding shares of the Common Stock, par value \$0.00001 per share, of the Company. Pursuant to the Certificate of Change, the Reverse Split was effective at 5:00 a.m. Eastern Standard Time on July 14, 2014.

The Reverse Split was duly approved by the Board of Directors of the Company without shareholder approval, in accordance with the authority conferred by Section 78.207 of the Nevada Revised Statutes. At the Effective Time, the Company's Articles of Incorporation were deemed amended and the authorized number of shares of the Company decreased from two hundred million (200,000,000) shares to sixty-six million, six hundred and sixty-six thousand, six hundred and sixty-seven (66,666,667) shares.

The foregoing description of the Reverse Split does not purport to be complete, and is qualified in its entirety by reference to the full text of such certificate filed on July 3, 2014 as an annex to the Company’s Current Report on Form 8-K, which is hereby incorporated into this Quarterly Report on Form 10-Q by reference.

The consolidated interim financial information as of June 30, 2014 and for the six and three month periods ended June 30, 2014 and 2013 was prepared without audit, pursuant to the rules and regulations of the Security and Exchange Commission (“SEC”). Certain information and footnote disclosures, which are normally included in consolidated financial statements prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”), were not included. The interim consolidated financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, that were filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company’s consolidated financial position as of June 30, 2014, its consolidated results of operations and cash flows for the six and three month periods ended June 30, 2014 and 2013, as applicable, were made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with U.S. GAAP. The Company’s functional currency is the Chinese Yuan Renminbi (“RMB”); however, the accompanying consolidated financial statements were translated and presented in United States Dollars (“USD”). The accompanying consolidated financial statements present the historical financial condition, results of operations and cash flows of the operating companies.

Going Concern

The Company had accumulated deficit of \$20.31 million as of June 30, 2014 and the Company incurred a net loss of \$11.94 million (including \$10.71 million loss on the disposal of the China Subsidiaries) for the six months ended June

30, 2014. In addition, the Company had promissory notes of \$10 million and \$50,000 with total of \$4.06 million accrued interest that are past due. As of June 30, 2014, the Company also had an outstanding balance of \$0.54 million including accrued interest under a credit line. The Company has not been able to raise funds from the U.S. markets to pay off these obligations. These conditions raise a substantial doubt as to whether the Company may continue as a going concern. The Company seeks to obtain additional funds by equity financing and/or through a business combination transaction; however there is no assurance of additional funding being available.

Principles of Consolidation

The consolidated financial statements include the accounts of CleanTech and its wholly owned subsidiaries, Creative Bellows and Creative Wind Power, up to June 12, 2014; the Company disposed all of its equity interest in Creative Bellows and Creative Wind Power on June 12, 2014 and recognized a \$10.71 million loss on the disposal of the China Subsidiaries. All intercompany transactions and account balances were eliminated in consolidation.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates include the recoverability of long-lived assets and the valuation of inventories. Actual results could differ from those estimates.

Cash and Equivalents

Cash and equivalents include cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of this purchase date

Restricted Cash

Restricted cash consists of a percentage of sales deposited by the Company into its bank accounts according to contract terms, which serves as a contract execution and product delivery guarantee. The restriction is released upon customer acceptance of the product.

Accounts and Retentions Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Past due receivables are determined based on contractual payment terms specified in the contract.

The retention generally was 10% of the sales price with a one-year term, but no later than the termination of the warranty period.

Inventories

The Company's inventories are valued at the lower of cost or market, with cost determined on a weighted average basis. The Company compares the cost of inventories with market value and an allowance is made to write down the inventories to their market value, if lower.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with 5% salvage value and estimated lives as follows:

Buildings	40	Years
Machinery	5 - 15	Years

Vehicles	5	Years
Office equipment	5	Years
Testing equipment	10	Years

Land Use Rights

Right to use land is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over 50 years.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

Revenue Recognition

The Company's revenue recognition policies are in compliance with SEC Staff Accounting Bulletin ("SAB") 104 (codified in FASB ASC Topic 605). Sales revenue, including the final 10% of the purchase price, is recognized after delivery is complete, customer acceptance of the product occurs and collectability is reasonably assured. Customer acceptance occurs after the customer puts the product through a quality inspection, which normally is completed within one to two weeks from customer receipt of the product. In case of sales contracts with FOB shipping terms, the customer is responsible for cost of freight and insurance and revenue is recognized when products are delivered to the carrier. In case of sales contracts with FOB destination terms, the Company is responsible for the cost of freight and insurance and revenue is recognized when customer acceptance is received. The customer is responsible for installation and integration of our component products into its end products. Payments received before satisfaction of all relevant criteria for revenue recognition are recorded as unearned revenue or advances from customers. Unearned revenue or advances from customers consists of payments received from customers prior to customer acceptance of the product.

The Company's standard payment terms with its wind tower customers generally provide that 10% of the purchase price is due upon the Company's deposit of restricted cash into a bank account as a contract guarantee, 20% upon the Company's purchase of raw material for the order, 10% upon delivery of the base ring component of the wind towers, 30% upon delivery of the wind tower tube sections and 20% upon customer inspection and acceptance of the product, which customers normally complete within 1-2 weeks after delivery. As a common practice in the manufacturing business in PRC, payment of the final 10% of the purchase price is due no later than the termination date of the product warranty, which can be up to 12 months from the customer acceptance date. The final 10% of the purchase price (retentions receivable) is recognized as revenue upon customer acceptance of the product. For the Company's bellows expansion joints and pressure vessels, payment terms are negotiated on a case-by-case basis and these payment percentages and terms may differ for each customer.

Sales revenue is the invoiced value of goods, net of value-added tax ("VAT"). The Company's products sold and services provided in China are subject to VAT of 17% of the sales price. This VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing the finished product. The Company recorded VAT payable and VAT receivable net of payments in the financial statements. The VAT tax return is filed offsetting the payables against the receivables.

Warranties

The Company offers a product warranty to its customers of up to 12 months depending on the terms negotiated with each customer. During the warranty period, the Company will repair or replace defective products free of charge. The Company implemented internal manufacturing protocols designed to ensure product quality beginning from the receipt of raw materials to the final inspection at the time products are shipped. The Company monitors warranty claims and accrues for warranty expense accordingly, using ASC Topic 450 to account for its standard warranty.

The Company provides warranty to all customers and does not consider it an additional service; rather, the warranty is considered an integral part of the product's sale. There is no general right of return indicated in the contracts or purchase orders. If a product under warranty is defective or malfunctions, the Company is responsible for fixing it or replacing it with a new product. The Company's products are its only deliverables. After the warranty period, the Company charges for after-sales services on its products. Such revenue is recognized when the service is provided.

Cost of Goods Sold

Cost of goods sold (“COGS”) consists primarily of material, labor and related overhead, which are attributable to the products, and other indirect costs that benefit all products. Write-down of inventory to lower of cost or market is also recorded in COGS.

Basic and Diluted Earnings per Share (“EPS”)

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares, warrants and stock options had been issued and if the additional common shares were dilutive. Diluted EPS are based on the assumption that all dilutive convertible shares and stock options and warrants were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding options and warrants, and the if-converted method for the outstanding convertible preferred shares. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, convertible outstanding instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later).

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

The warrants and options to purchase up to 1,987,500 and 2,821,310 shares of common stock (pre-Reverse Split) were anti-dilutive during the six and three months ended June 30, 2014 and 2013, respectively.

Statement of Cash Flows

In accordance with SFAS No. 95, "Statement of Cash Flows," codified in FASB ASC Topic 230, cash flows from the Company's operations are calculated based upon local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows may not necessarily agree with changes in the corresponding balances on the balance sheet.

Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" (codified in FASB ASC Topics 718 and 505). The Company recognizes in the income statement the grant-date fair value ("FV") of stock options and other equity-based compensation issued to employees and non-employees.

Foreign Currency Translation and Transactions

The accompanying consolidated financial statements are presented in USD. The Company's functional currency is RMB, which is translated into USD for balance sheet accounts using the current exchange rates in effect as of the balance sheet date and for revenue and expense accounts using the average exchange rate during the period. The translation adjustments are recorded as a separate component of stockholders' equity, captioned accumulated other comprehensive income (loss). Gains and losses resulting from transactions denominated in foreign currencies are included in other income (expense) in the consolidated statements of operations.

The RMB to USD exchange rates in effect as of June 30, 2014 and December 31, 2013, were \$1 = RMB 6.1528 and \$1 = RMB 6.0969, respectively. The average RMB to USD exchange rates in effect for the six months ended June 30, 2014 and 2013, were \$1 = RMB 6.1180 and \$1 = RMB 6.2413, respectively. The exchange rates used in translation from RMB to USD were published by the People's Bank of China.

Comprehensive Income (Loss)

The Company uses SFAS No. 130 "Reporting Comprehensive Income" (codified in FASB ASC Topic 220). Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. Comprehensive income (loss) for the six and three months ended June 30, 2014 and 2013 included net income (loss) and foreign currency translation adjustments.

Segment Reporting

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (codified in FASB ASC Topic 280), requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure,

management structure or any other manner in which management disaggregates a company.

Management determined the Company's product lines – wind towers, bellows expansion joints and pressure vessels – constitute a single reportable segment under ASC 280. The Company operates exclusively in one business: the design and manufacture of highly engineered metal components for heavy industry. The manufacturing processes for each of the Company's products, principally the rolling and welding of raw steel materials, make use of the same pool of production workers and engineering talent for design, fabrication, assembly and testing. The Company's products are characterized and marketed by their ability to withstand temperature, pressure, structural load and other environmental factors. The Company's products are used by major electrical utilities and large-scale industrial companies in China specializing in heavy industry, and the Company's sales force sells its products directly to these companies, which utilize the Company's components in their finished products. All of the Company's long-lived assets for production are located in its facilities in Tieling, Liaoning Province, China, and operate within the same environmental, safety and quality regulations governing industrial component manufacturing companies. The Company established its subsidiary, Creative Wind Power, solely to market and sell the Company's wind towers, which constitute the structural support cylinder for an industrial wind turbine installation. Management believes that the economic characteristics of the Company's product lines, specifically costs and gross margin, will be similar as production increases and labor continues to be shared across products.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

As a result, management views the Company's business and operations for all product lines as a blended gross margin when determining future growth, return on investment and cash flows. Accordingly, management concluded the Company had one reportable segment under ASC 280 because: (i) all of the Company's products are created with similar production processes, in the same facilities, under the same regulatory environment and sold to similar customers using similar distribution systems; and (ii) gross margins of all product lines have been converging and should continue to converge.

Following is a summary of sales by products for the six months ended June 30, 2014 and 2013:

	2014	2013
Bellows expansion joints and related	\$ 398,165	\$ 324,999
Pressure vessels (heat exchanger)	287,129	555,714
Wind tower	-	905,466
Other – high temperature compensators	279,796	-
Other – resale of raw materials	160,379	1,297,469
Forging products	1,397,027	-
Total	\$ 2,522,496	\$ 3,083,648

Following is a summary of sales by products for the three months ended June 30, 2014 and 2013:

	2014	2013
Bellows expansion joints and related	\$ 137,963	\$ 205,850
Pressure vessels (heat exchanger)	47,166	555,714
Wind tower	-	905,466
Other – high temperature compensators	218,746	-
Other – resale of raw materials	160,379	1,163,799
Forging products	30,649	-
Total	\$ 594,903	\$ 2,830,829

New Accounting Pronouncements

In January 2014, FASB issued Accounting Standards Update 2014-05, Service Concession Arrangements (Topic 853). The objective of this Update is to specify that an operating entity should not account for a service concession arrangement within the scope of this Update as a lease in accordance with Topic 840, Leases. Service concession arrangements may become more prevalent in the United States as public-sector entities seek alternative ways to provide public services on a more efficient and cost-effective basis. The amendments apply to an operating entity of a service concession arrangement entered into with a public-sector entity grantor when the arrangement meets certain conditions. The amendments in this Update should be applied on a modified retrospective basis to service concession arrangements that exist at the beginning of an entity's fiscal year of adoption. The modified retrospective approach requires the cumulative effect of applying this Update to arrangements existing at the beginning of the period of adoption to be recognized as an adjustment to the opening retained earnings balance for the annual period of adoption. The amendments are effective for a public business entity for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this ASU will not affect the Company's financial

statements.

13

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

Reclassification

Each asset and liability of Creative Bellows and Creative Wind Power (the discontinued operations) as of December 31, 2013 has been reclassified into the total assets and liabilities of discontinued operations in conformity with the presentation of the current period. The assets and liabilities of Creative Bellows and Creative Wind Power as of December 31, 2013 consisted of the following:

Cash	\$	8,178
Restricted cash		244,427
Accounts receivable, net		2,000,914
Advance to suppliers, net		466,878
Other receivable, net		2,488,253
Retentions receivable, net		1,051,227
Inventories, net		6,061,974
Notes receivable		738,080
Advance for equipment purchase		336,822
Long-term prepayment		321,248
Property and equipment, net		11,853,575
Intangible assets, net		4,162,058
Total assets	\$	29,733,634
Accounts payable	\$	(2,599,862)
Other payable and accrued expenses		(243,903)
Tax payable		(68,234)
Advance from customers		(243,171)
Short-term loans		(2,263,446)
Long-term payable		(442,827)
Total liabilities	\$	(5,861,443)

3. DEPOSITS

Deposits mainly represented retainer for legal expense at December 31, 2013.

4. ACCRUED EXPENSES AND OTHER PAYABLES

As of June 30, 2014 and December 31, 2013, the Company had \$400,808 payable for legal expense and \$84,203 and \$66,315 accrued interest, respectively, for unpaid legal fees to a law firm in connection with the representation of the Company in its lawsuit against NASDAQ Stock Market, LLC and NASDAQ OMX Group.

Accrued interest included interest on \$400,808 owed for legal expenses described above, and interest on short-term loans (promissory notes and line of credit) in the amount of \$4,069,003 and \$3,642,376 at June 30, 2014 and December 31, 2013, respectively (See Note 5).

5. SHORT-TERM LOANS

On December 13, 2010, the Company entered into a loan with NYGG for \$10 million (the “2010 Loan”). At NYGG’s option, the principal amount of the 2010 Loan and all interest thereon shall be paid in either USD or RMB at an exchange rate of RMB 6.90 to USD\$1.00 if paid on or before March 1, 2012, and thereafter at an exchange rate of RMB 6.30 to USD\$1.00. The 2010 Loan bore interest at 10% payable in advance at the beginning of each quarter with a maturity date of March 1, 2012. Subsequently, the 2010 Loan was amended to extend the maturity date to March 1, 2013 and to decrease the interest rate to 8.5%, effective March 1, 2012, which interest was to be payable quarterly in advance. From March 1, 2012 through August 13, 2013, the Company was in default on the interest payments that it was required to pay in advance; the Company was also in default in payment of the principal amount of \$10 million due on March 1, 2013. Therefore, the interest rate from the date of the default was at the lesser of 24% or the maximum applicable legal rate. The Company used 24% as the default interest rate from March 1, 2012 through August 13, 2013. After August 13, 2013, the interest rate on the 2010 Loan was 8.5% according to the Line of Credit Agreement described below. The Company had interest payable of \$4.05 million as of June 30, 2014.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

Through a new Line of Credit Agreement entered with the same lender on August 17, 2013, this default became payable upon NYGG's request at the interest rate of 8.5% after August 13, 2013. The Promissory Note entered on August 17, 2013 along with an Escrow Agreement was for a Line of Credit available to the Company of up to \$10 million. NYGG deposits the required amount into an escrow account each time before disbursement, and the escrow agent disburses some or all of the deposit from time to time, as directed in writing by NYGG, as advances to the Company to pay expenses that are approved by NYGG. The applicable interest rate for the amount borrowed under this line of credit is 3% during the first six months following each advance, and 0% thereafter, to be paid on the first day of each month, maturing upon NYGG's request. The promissory note has a default rate of 24%. As of June 30, 2014, the Company borrowed \$0.53 million from the credit line and accrued interest of \$10,000 which has not yet been paid.

On December 14, 2011, the Company entered into a 3% promissory note with a lender for \$50,000, maturing on February 1, 2012, for the payment of its legal expenses. As of June 30, 2014, the Company had accrued interest of \$7,438 on this note. The note is past due with default interest at 6% accrued subsequent to February 1, 2012.

At June 30, 2014 and December 31, 2013, the short-term loans consisted of the following; the accrued interest on these loans was included in accrued expenses (Note 4):

	2014	2013
Promissory Note	\$ 50,000	\$ 50,000
Loan	10,000,000	10,000,000
Credit line payable	531,731	638,951
Total short term loan	\$ 10,581,731	\$ 10,688,951

6. INCOME TAX

The Company is subject to income taxes by entity on income arising in or derived from the tax jurisdiction in which each entity is domiciled.

CleanTech, the U.S. parent company to the China Subsidiaries, was incorporated in the U.S. and has net operating losses ("NOL") for income tax purposes. CleanTech has NOL of \$17.36 million as of June 30, 2014, which may be available to reduce future years' taxable income, as NOL can be carried forward up to 20 years from the year the loss is incurred. Management believes the realization of benefits from these losses remains uncertain due to CleanTech's limited operating history and continuing losses. Accordingly, a 100% deferred tax asset valuation allowance was provided.

Creative Bellows and Creative Wind Power generated substantially all of their net income from their PRC operations and are governed by the Income Tax Law of the PRC for privately-run enterprises. According to this law, privately-run enterprises are generally subject to a tax rate of 25% on income reported in the privately-run enterprises' financial statements, after appropriate tax adjustments.

The following table reconciles the U.S. statutory rates to the Company's consolidated effective tax rate for the six months ended June 30, 2014 and 2013:

2014	2013
------	------

Edgar Filing: CleanTech Innovations, Inc. - Form 10-Q

U.S. statutory rates (benefit)	(34.0)%	(34.0)%
Tax rate difference	10.4 %	5.3 %
Utilization of NOL	(6.9) %	- %
Valuation allowance	30.5 %	28.7 %
Effective income tax rate	- %	- %

The following table reconciles the U.S. statutory rates to the Company's consolidated effective tax rate for the three months ended June 30, 2014 and 2013:

	2014	2013
U.S. statutory rates (benefit)	(34.0)%	(34.0)%
Tax rate difference	10.5 %	5.1 %
Utilization of NOL	(5.2) %	- %
Valuation allowance	28.7 %	28.9 %
Effective income tax rate	- %	- %

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

7. STOCKHOLDERS' EQUITY

Common Stock with Warrants Issued for Cash

On December 13, 2010, the Company completed a closing of \$20,000,000 in a combination of debt and equity offerings through accredited institutional investors. In a private placement of equity, the Company sold 2,500,000 units, consisting of one share of its common stock and a warrant to purchase 67.5% of one share of its common stock, at \$4.00 per unit (pre-Reverse Split) for \$10,000,000. The warrants are immediately exercisable, expire on the fifth anniversary of their issuance and entitle the holders to purchase up to 1,687,500 shares (pre-Reverse Split) of the Company's common stock at \$4.00 per share (pre-Reverse Split). For its assistance in the private placement of equity, the Company paid a placement agent \$1,000,000 and issued it warrants to purchase 300,000 shares (pre-Reverse Split) of the Company's common stock under the same terms as the warrants issued in the private placement. The Company also paid the placement agent \$100,000 for its assistance in arranging the loan. The FV of the warrants was calculated using the Black-Scholes model and the following assumptions: estimated life of five years, volatility of 88%, risk-free interest rate of 1.89% and dividend yield of 0%. No estimate of forfeitures was made as the Company has a short history of granting options and warrants. The FV of the warrants at grant date was \$10,282,442.

Concurrently with the closing of the private placement on December 13, 2010, the Company entered into a long-term loan agreement with NYGG for \$10 million (See Note 5).

Following is a summary of the warrant activity:

	Number of Shares (pre- Reverse Split)	Weighted Average Exercise Price per Share (pre- Reverse Split)	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2014	1,987,500	\$ 4.00	1.95
Exercisable at January 1, 2014	1,987,500	\$ 4.00	1.95
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding at June 30, 2014	1,987,500	\$ 4.00	1.45
Exercisable at June 30, 2014	1,987,500	\$ 4.00	1.45

8. STATUTORY RESERVES

Pursuant to the corporate law of the PRC effective January 1, 2006, the Company's China Subsidiaries are required to maintain one statutory reserve by appropriating from their after-tax profit before declaration or payment of dividends. The statutory reserve represents restricted retained earnings.

Surplus reserve fund

The Company's China Subsidiaries are required to transfer 10% of their net income, as determined under PRC accounting rules and regulations, to a statutory surplus reserve fund until such reserve balance reaches 50% of the Company's registered capital. The Company's China Subsidiaries are not required to make appropriation to other reserve funds and have no intentions to make appropriations to any other reserve funds. There are no legal requirements in the PRC to fund these reserves by transfer of cash to restricted accounts, and the Company's China Subsidiaries do not do so.

The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

Common Welfare Fund

The common welfare fund is a voluntary fund into which the Company can elect to transfer 5% to 10% of its net income. The Company did not make any contribution to this fund for the six and three months ended June 30, 2014 and 2013.

This fund can only be utilized on capital items for the collective benefit of the Company's employees, such as construction of dormitories, cafeteria facilities and other staff welfare facilities. This fund is non-distributable other than upon liquidation.

9. DISPOSAL OF SUBSIDIARIES

On June 11, 2014, CleanTech entered into the Divesture and Exchange Agreement (the "Exchange Agreement") with certain controlling shareholders of CleanTech, including Ping Chen, Shengfen Lin, Wenge Chen, Bei Lu, and Dianfu Lu (collectively, the "Controlling Shareholders"). Bei Lu and Dianfu Lu were also officers and directors of the Company. The Controlling Shareholders collectively own 15,229,403 shares (pre-Reverse Split) of the Company's common stock (the "Controlling Shares"), or 61.0% of the total number of the Company's outstanding shares.

Pursuant to the Exchange Agreement, the Controlling Shareholders agree to transfer all of the Controlling Shares to the Company in exchange for the transfer by the Company of its wholly owned Chinese subsidiaries, Creative Bellows and Creative Wind Power (collectively, the "China Subsidiaries") to the Controlling Shareholders or their designees. The China Subsidiaries represent all of the Company's China-based business.

On June 12, 2014, the Subsidiary Interests and the Controlling Shares were deposited into an escrow account, and the Controlling Shareholders were no longer deemed to be shareholders of the Company. For accounting purposes only, the Divesture of the China Subsidiaries occurred on June 12, 2014 and has been accounted for in the accompanying unaudited interim financial statements. The stock price on June 12, 2014 was \$0.8 per share, the fair value of all 15,229,403 of the Controlling Shares (pre-Reverse Split), was \$12,183,522.

The following table summarizes the fair values of the assets and liabilities disposed at the date of the Divesture. The excess of the FV of the net assets disposed over the fair value of shares surrendered of \$10,711,186 was recorded as loss on disposal.

Cash	\$ 177,483
Accounts receivable	2,318,621
Advance to suppliers	703,124
Other receivable	1,480,731
Retentions receivable	367,905
Inventories	6,022,805
Long-term prepayment	315,413
Property and equipment, net	11,528,374
Intangible assets, net	4,085,590
Accounts payable	(2,250,632)
Other payable and accrued expenses	(361,535)
Tax payable	(46,610)

Advance from shareholder	(984,999)
Long-term payable	(461,562)
Disposal loss	(10,711,186)
Fair value of shares surrendered	\$ 12,183,522

10. PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

On June 13, 2014, CleanTech Innovations entered into an Agreement and Plan of Share Exchange (the “Merger Agreement”) with Six Dimensions and the shareholders of Six Dimensions, pursuant to which, subject to certain conditions, Six Dimensions will become a wholly-owned subsidiary of the Company (the “Merger”).

Pursuant to the terms of the Merger, the Company will acquire all of the shares of Six Dimensions in exchange for an aggregate of 88,929,203 (post-Reverse Split) newly issued shares (the “Exchange Shares”) of the Company’s common stock, par value \$0.00001 per share (the “Common Stock”) issued to Six Dimensions’ shareholders in accordance with their pro rata ownership of Six Dimensions equity.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

On June 12, 2014 the Company obtained shareholder approval to (i) amend its Articles of Incorporation to (A) change its authorized shares of Common Stock, par value \$0.00001 per share, from 66,666,667 to 400,000,000 and (B) change the name of the Company to “6D Global Technologies, Inc.”; (ii) authorize the conversion of the Company into a corporation organized under the laws of the State of Delaware; (iii) complete the Divestiture; and (iv) obtain NYGG’s consent to convert all of its notes, debts and other liabilities made to or on behalf of the Company, into 80,844,730 shares of the Company’s Common Stock. As of the date of filing this report, except for the disposition of all of the Company’s China-based operations and assets in exchange for the satisfaction and/or assumption of all liabilities, none of these events had taken place.

Six Dimensions is not obligated to consummate the transactions under the Merger Agreement unless aggregate gross proceeds of not less than \$3 million and not more than \$5.1 million received pursuant to a private placement (the “Private Placement”) of the Common Stock at \$0.90 per share are held in an escrow account, on terms satisfactory to Six Dimensions and the Company, and the conditions to closing the Private Placement are satisfied. In addition, the Company must maintain the listing of its common stock on the NASDAQ Stock Market.

The completion of the Merger is subject to the satisfaction or waiver of certain closing conditions, including, without limitation, (i) the raising and placement into escrow of the proceeds from the Private Placement; (ii) approval by the Company’s shareholders and Board of Directors of the Merger Agreement and other transactions contemplated in connection with the Merger; (iii) the approval by Six Dimensions’ Board of Directors and the Six Dimensions Shareholders of the Merger Agreement and other transactions contemplated thereunder; (iv) the provision by the Company to Six Dimensions of certain financial statements of the Company; and (v) the provision by Six Dimensions to the Company of certain financial statements of Six Dimensions.

The following pro forma consolidated statements of operations present the accounts of CleanTech and Six Dimensions for the three months ended March 31, 2014, and for the year ended December 31, 2013, as if the acquisition occurred on January 1, 2013, and January 1, 2014, for the purpose of the statements of operations, respectively. The accompanying pro forma consolidated balance sheet presents the accounts of CleanTech and Six Dimensions as if the acquisition of Six Dimensions by CleanTech occurred on March 31, 2014.

For accounting purposes, the transaction has been accounted for as a reverse acquisition of CleanTech by Six Dimensions. The shares issued to Six Dimensions’ shareholder have been accounted for as a recapitalization of Six Dimensions because after the Exchange, Six Dimensions’ shareholder will own the majority of the Company’s shares and will exercise significant influence over the operating and financial policies of the consolidated entity. Pursuant to SEC rules, this is considered a capital transaction in substance, rather than a business combination.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

CleanTech Innovations, Inc. and Six Dimensions
 Unaudited Pro Forma Consolidated Balance Sheet
 March 31, 2014

	CleanTech Innovations	Disposal of China Subsidiaries (1)	Six Dimensions	Pro Forma Adjustments for The Merger with Six Dimensions	Note	Company Pro Forma
Assets						
Current Assets						
Cash and equivalents	\$ 414,097	\$ (414,097)	\$ 42,302	\$ 3,000,000	b	\$ 3,042,302
Restricted cash	-	-	-	-		-
Accounts receivable, net	2,235,719	(2,235,719)	1,206,874	-		1,206,874
Unbilled revenues			181,076	-		181,076
Other receivables and deposits, net	2,568,041	(2,298,041)	80,822	(270,000)	a	80,822
Retentions receivable, net	532,603	(532,603)	-	-		-
Advances to suppliers, net	166,291	(166,291)	-	-		-
Inventories, net	6,467,863	(6,467,863)	-	-		-
Notes receivable	15,604	(15,604)	-	-		-
Unbilled revenues	-	-	-	-		-
Prepaid expenses and other current assets	-	-	-	-		-
Total Current Assets	12,400,218	(12,130,218)	1,511,074	2,730,000		4,511,074
Property and Equipment, net	11,595,758	(11,595,758)	23,116	-		23,116
Other Assets						
Restricted cash	-	-	110,534	-		110,534
Advances for equipment purchase	351,842	(351,842)	-	-		-
Prepayments	316,598	(316,598)	-	-		-
Security deposits	-	-	23,707	-		23,707
Capitalized software, net	-	-	140,735	-		140,735
	4,101,536	(4,101,536)	-	-		-

Edgar Filing: CleanTech Innovations, Inc. - Form 10-Q

Land use rights and patents, net					
Total Other Assets	4,769,976	(4,769,976)	274,976	-	274,976
Total Assets	\$ 28,765,952	\$ (28,495,952)	\$ 1,809,166	\$ 2,730,000	\$ 4,809,166
Liabilities and Stockholder's Equity (Deficit)					
Current Liabilities					
Accounts payable	\$ 2,357,223	\$ (2,317,840)	\$ 827,065	\$ (39,383) a	\$ 827,065
Accrued expenses and other payables	4,517,883	(186,589)	-	(4,331,294) a	-
Advances from customers	299,197	(299,197)	-	-	-
Advances from shareholder	929,679	(929,679)	-	-	-
Tax payable	63,233	(63,233)	-	-	-
Security deposit payable	-	-	30,000	-	30,000
Due to factor	-	-	782,831	-	782,831
Current maturities of capital lease liability	-	-	48,182	-	48,182
Current maturities of notes payable	-	-	586,600	-	586,600
Short term loans	10,688,951	-	-	(10,688,951) a	-
Short term payable, net of unamortized interest	453,992	(453,992)	-	-	-
Total Current Liabilities	19,310,158	(4,250,530)	2,274,678	(15,059,628)	2,274,678
Long-Term Liabilities					
Capital lease liability, net of current maturities	-	-	121,875	-	121,875
Notes payable, net of current maturities	-	-	58,370	-	58,370
Other liabilities	-	-	68,518	-	68,518
Total Long-Term Liabilities	-	-	248,763	-	248,763
Total Liabilities	19,310,158	(4,250,530)	2,523,441	(15,059,628)	2,523,441

Commitment and Contingencies						
Stockholder's Equity (Deficit)						
Common stock	33	-	3,000	(1,328	a, b,) c	1,755
Additional paid in capital	20,649,309	(2,971,444)	-	(14,676,570)	a, c	3,001,245
Statutory reserve fund	1,104,138	(1,104,138)	-	-		-
Accumulated other comprehensive income	3,888,194	(3,888,194)	-	-		-
Accumulated Deficit	(16,185,880)	(4,098,124)	(717,275)	20,284,004	a	(717,275)
	9,455,794	(12,061,900)	(714,275)	5,606,106		2,285,725
Less: treasury stock, at cost; 15,229,403 shares of common stock	-	(12,183,522)	-	12,183,522		-
Total Stockholder's Equity (Deficit)	9,455,794	(24,245,422)	(714,275)	17,789,628		2,285,725
Total Liabilities and Stockholder's Equity (Deficit)	\$ 28,765,952	\$ (28,495,952)	\$ 1,809,166	\$ 2,730,000		\$ 4,809,166

Note to Pro Forma Adjustments:

1. See Note 9 for the Divestiture of the China Subsidiaries.
 - a. To effectuate the reverse merger of CleanTech with Six Dimensions, elimination of CleanTech capital accounts and accumulated deficit as a result of recapitalization, and reflect the satisfaction of all the liabilities in excess of \$500.
 - b. To record the private placement equity offering to raise between \$3,000,000 and \$5,100,000 at \$0.30 per share (pre-Reverse Split), the minimum financing amount has been assumed.
 - c. To reflect 266,787,609 new shares (pre-Reverse Split) to be issued to the shareholder of Six Dimensions, 17,729,403 shares (pre-Reverse Split) to be retired at the reverse merger, and conversion by NYGG (Asia) Ltd. of all of its notes, debts and other liabilities made to or on behalf of the Company, into 242,534,190 (pre-Reverse Split) shares of the Company's common stock.

The Reverse Split effected on July 14, 2014 was retroactively restated for the period presented, and reflected for the shares being issued and retired for the Exchange. Upon completion of the Exchange with Six Dimensions, CleanTech has 533,575,218 shares outstanding (pre-Reverse Split), equivalent to 173,025,073 post Reverse Split shares.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

CleanTech Innovations, Inc. and Six Dimensions
 Unaudited Pro Forma Consolidated Statement of Operations
 For the Year Ended December 31, 2013

	CleanTech Innovations	Disposal of China Subsidiaries (1)	Six Dimensions	Pro Forma Adjustments for the Exchange with Six Dimensions	Note	Company Pro Forma
Revenues	\$ 5,894,264	\$ (5,894,264)	\$ 9,200,313	\$ -		\$ 9,200,313
Cost of revenues	8,062,625	(8,062,625)	6,074,067	-		6,074,067
Gross margin (loss)	(2,168,361)	2,168,361	3,126,246	-		3,126,246
Operating expenses						
Selling, general and administrative	2,859,057	(2,097,944)	3,789,228	(761,113)	a	3,789,228
Bad debt	7,911,884	(7,911,884)	-	-		-
Total operating expenses	10,770,941	(10,009,828)	3,789,228	(761,113)		3,789,228
Loss from operations	(12,939,302)	12,178,189	(662,982)	761,113		(662,982)
Non-operating income (expense)						
Interest income	730	(730)	129	-		129
Interest expense	(3,635,046)	377,994	(154,549)	3,257,052	a	(154,549)
Other income	610,759	(610,759)	4,839	-		4,839
Other expense	(468,461)	468,461	-	-		-
Total non-operating expense, net	(3,492,018)	234,966	(149,581)	3,257,052		(149,581)
Loss before income tax expense	(16,431,320)	12,413,155	(812,563)	4,018,165		(812,563)
Income tax expense	-	-	-	-		-
Net loss	(16,431,320)	12,413,155	(812,563)	4,018,165		(812,563)
Basic and diluted weighted average shares outstanding	8,327,607	5,076,468	-	172,273,933	b	175,525,073

Basic and diluted earnings (loss) per share	\$ (1.97)	\$ 2.45	\$ (0.01)	\$ 0.02	\$ (0.00)
---	------------	---------	------------	---------	------------

Note to Pro Forma Adjustments:

1. See Note 9 for the Divestiture of the China Subsidiaries.
 - a. To effectuate the Exchange between CleanTech and Six Dimensions.
 - b. The Reverse Split effective on July 14, 2014 was retroactively restated for the period presented, and reflected for the shares being issued and retired for the Exchange. Upon completion of the Exchange with Six Dimensions, CleanTech has 33,575,218 shares outstanding (pre-Reverse Split), equivalent to 173,025,072 post Reverse Split shares.

Table of Contents

CLEANTECH INNOVATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013
CleanTech Innovations, Inc. and Six Dimensions
Unaudited Pro Forma Statement of Operations
For the Three Months Ended March 31, 2014

	CleanTech Innovations	Disposal of China Subsidiaries (1)	Six Dimensions	Pro Forma Adjustments for The Merger with Six Dimensions	Note	Company Pro Forma
Revenues	\$ 1,927,593	\$ (1,927,593)	\$ 2,654,575	\$ -		\$ 2,654,575
Cost of revenues	1,538,078	(1,538,078)	1,565,966	-		1,565,966
Gross margin	389,515	(389,515)	1,088,609	-		1,088,609
Operating expenses						
Selling, general and administrative	371,428	(399,226)	797,939	27,798	a	797,939
Reverse of bad debt allowance	(709,595)	709,595	-	-		-
Total operating expenses	(338,167)	310,369	797,939	27,798		797,939
Income (loss) from operations	727,682	(699,884)	290,670	(27,798)		290,670
Non-operating income (expense)						
Interest income	235	(235)	46,526	-		46,526
Interest expense	(279,499)	57,703	(56,700)	221,796	a	(56,700)
Other income	27,076	(27,076)	10,000	-		10,000
Other expense	(24,538)	24,538	-	-		-
Loss on disposal of China Subsidiaries	-	12,061,900	-	(12,061,900)	a	-
Total non-operating expense, net	(276,726)	54,930	(174)	221,796		(174)
Income before income tax expense	450,956	(644,954)	290,496	193,998		290,496
Income tax expense	-	-	-	-		-
Net income (loss)	450,956	(644,954)	290,496	193,998		290,496
Basic and diluted weighted average	8,327,607	5,076,468	300,000	171,973,933	b	175,525,073

shares outstanding

Basic and diluted earnings (loss) per share	\$ 0.05	\$ (0.13) \$ 0.97	\$ 0.00	\$ 0.00
---	---------	----------	-----------	---------	---------

Note to Pro Forma Adjustments:

1. See Note 9 for the Divestiture of the China Subsidiaries.
 - a. To effectuate the Exchange between CleanTech and Six Dimensions.
 - b. The Reverse Split effective on July 14, 2014 was retroactively restated for the period presented, and reflected for the shares being issued and retired for the Exchange. Upon completion of the Exchange with Six Dimensions, CleanTech has 533,575,218 shares outstanding (pre-Reverse Split), equivalent to 173,025,072 post Reverse Split shares.

11. LITIGATION

On March 19, 2014, Stradley Ronon Stenvens & Young, LLP (“Stradley”), filed a complaint in the Court of Common Pleas of Philadelphia County, Pennsylvania against the Company seeking \$125,000 in unpaid legal fees in connection with Stradley’s representation of an appeal to the SEC regarding an adverse listing decision made by the NASDAQ Listing and Hearing Review Council. Stradley also alleged that the Company has failed to pay the firm \$39,276.99 in fees for a separate non-SEC legal matter. The Company failed to timely file an answer to the complaint and to enter a written appearance. On April 30, 2014, Stradley filed a notice of intent to take default judgment on the claim. Only July 2, 2014, Stradley discontinued the legal action against CleanTech pursuant to an agreement with NYGG, whereby NYGG assumed CleanTech’s debt to Stradley.

Table of Contents

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “contingent upon,” “intend,” “seek,” “may occur,” “could occur,” “may not occur,” “could not occur,” “negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those listed under the heading “Risk Factors” and those listed in our other Securities and Exchange Commission filings. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report. Throughout this Quarterly Report, we will refer to CleanTech Innovations, Inc. as “CleanTech,” the “Company,” “we,” “us,” and “our.”

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a manufacturer of structural towers for megawatt-class wind turbines and other highly engineered metal components used in the energy and other industries in the People’s Republic of China (“China”, or the “PRC”). We currently design, manufacture, test and sell structural towers for 1, 1.5 and 3 megawatt, or MW, on-land wind turbines, and believe we have the expertise and manufacturing capacity to provide towers for higher-powered on-land and off-shore turbines. We also manufacture specialty metal products that require advanced manufacturing and engineering capabilities, including bellows expansion joints and connecting bend pipes used for waste heat recycling in steel production, in ultra-high-voltage electricity transmission grids and industrial pressure vessels. Our products provide solutions for China’s increasing demand for clean energy.

We sell our products exclusively in the PRC domestic market. We produce wind towers, a component of wind turbine installations, but do not compete with wind turbine manufacturers. Our specialty metal products are used by large-scale industrial companies involved mainly in the steel and coke, petrochemical, high-voltage electricity transmission and thermoelectric industries.

We operate through two wholly owned subsidiaries organized under the laws of the PRC: Liaoning Creative Bellows Co., Ltd. (“Creative Bellows”) and Liaoning Creative Wind Power Equipment Co., Ltd., (“Creative Wind Power”). Creative Bellows was incorporated on September 17, 2007, and is our wholly foreign-owned enterprise, or WFOE; Creative Bellows owns 100% of Creative Wind Power, which was incorporated on May 26, 2009. Creative Bellows provides the production expertise, employees and facilities to manufacture our wind towers, bellows expansion joints, pressure vessels and other fabricated metal specialty products. Creative Wind Power markets and sells the wind towers designed and manufactured by Creative Bellows.

Recent Developments

On June 11, 2014, CleanTech entered into a Divestiture and Exchange Agreement (the “Exchange Agreement”) with certain controlling shareholders of CleanTech, including Ping Chen, Shengfen Lin, Wenge Chen, Bei Lu and Dianfu Lu (collectively, the “Controlling Shareholders”). Bei Lu and Dianfu Lu were also officers and directors of the Company. The Controlling Shareholders collectively own 15,229,403 shares (pre-Reverse Split) of the Company’s common stock (the “Controlling Shares”), or 61.0% of the total number of the Company’s outstanding shares.

Pursuant to the Exchange Agreement, the Controlling Shareholders agree to transfer all of the Controlling Shares to the Company in exchange for the transfer by the Company of its wholly owned Chinese subsidiaries, Creative Wind Power, and Creative Bellows (collectively the “China Subsidiaries”) to the Controlling Shareholders or their designees. The China Subsidiaries represent all of the Company’s China-based business. We refer to these transfers as the “Divesture”.

The Exchange Agreement is subject to various conditions, including that the Controlling Shares and the Company's ownership interests in Creative Bellows and Creative Wind Power (the “Subsidiary Interests”) be deposited into and held in escrow pursuant to the terms of a separately-executed escrow agreement (the “Escrow Agreement”). The release of the Controlling Shares and the Subsidiary Interests and consummation of the Exchange Agreement is further subject to the requirement that the Company promptly form a wholly owned British Virgin Islands corporation (the “BVI Subsidiary”). Upon formation of the BVI Subsidiary, the Company was required to effectuate the transfer of the Subsidiary Interests to the BVI Subsidiary followed by its transfer of all of the Company’s ownership interest in the BVI Subsidiary to the Controlling Shareholders. The Exchange Agreement is also subject to customary representations and warranties of the parties and provides for cross-indemnification to either party case of certain liabilities to either party. As of June 30, 2014, the BVI Subsidiary was formed; the Subsidiary Interests and the Controlling Shares were deposited into the escrow account on June 12, 2014; the Controlling Shareholders were no longer the shareholders of the Company commencing June 12, 2014; for accounting purposes, the disposal of the Chinese Subsidiaries was closed on June 12, 2014 and has been accounted for in these financial statements.

Table of Contents

On June 11, 2014, in consideration of the Exchange Agreement and the related transactions, the Company's largest creditor, NYGG (Asia) Ltd., a British Virgin Islands corporation ("NYGG"), entered into a Forbearance and Waiver Agreement with the Company (the "Forbearance Agreement"). Pursuant to the Forbearance Agreement, NYGG and its affiliates agree to forbear from exercising certain of their respective rights and remedies related to the Company's debt obligations to them and certain events of default thereunder. The forbearance period extends from June 11, 2014 until the first to occur of: (i) September 10, 2014, (ii) the transfer of the Controlling Shares to the Company in exchange for the transfer of the Subsidiary Interests to the Controlling Shareholders and (iii) the termination of the Exchange Agreement. Upon the earlier to occur of (i) the occurrence of a forbearance default under the Forbearance Agreement (which includes any failure by the Company to comply with and/or diligently pursue the Exchange Agreement) or (ii) the expiration of the forbearance period, NYGG's agreement to forbear shall immediately terminate and it shall thereafter be entitled to exercise all of its rights and remedies with respect to the Company's debt obligations to it. Further to the Forbearance Agreement, NYGG also agrees to unconditionally release each of the China Subsidiaries from all of their debt obligations to NYGG. The terms of NYGG's release and waiver are set forth in a separately-executed Release and Waiver Agreement between NYGG and each of the China Subsidiaries (the "Waiver Agreement").

On June 13, 2014, CleanTech entered into an Agreement and Plan of Share Exchange (the "Merger Agreement") with Six Dimensions and the shareholders of Six Dimensions, pursuant to which, subject to certain conditions, Six Dimensions will become a wholly-owned subsidiary of the Company (the "Merger").

Pursuant to the Merger Agreement, the Company will acquire all of the shares of Six Dimensions in exchange for an aggregate of 88,929,203 (post-Reverse Split) newly issued shares (the "Exchange Shares") of the Company's common stock, par value \$0.00001 per share (the "Common Stock") issued to Six Dimensions' shareholders in accordance with their pro rata ownership of Six Dimensions equity. In addition, the shares to be exchanged pursuant to the Merger Agreement will be adjusted to reflect the Reverse Split (described below).

On June 12, 2014 the Company obtained shareholder approval to (i) amend its Articles of Incorporation to (A) change its authorized shares of Common Stock, par value \$0.00001 per share, from 66,666,667 to 400,000,000 and (B) change the name of the Company to "6D Global Technologies, Inc."; (ii) authorize the conversion of the Company into a corporation organized under the laws of the State of Delaware; (iii) complete the Divestiture; and (iv) obtain NYGG's consent to convert all of its notes, debts and other liabilities made to or on behalf of the Company, into 80,844,730 shares of the Company's Common Stock. As of date of filing this report, except for the disposition of all of the Company's China-based operations and assets in exchange for the satisfaction and/or assumption of all liabilities, none of these events has taken place.

Six Dimensions is not obligated to consummate the transactions under the Merger Agreement unless aggregate gross proceeds of not less than \$3 million and not more than \$5.1 million received pursuant to a private placement (the "Private Placement") of the Common Stock at \$0.90 per share are held in an escrow account, on terms satisfactory to Six Dimensions and the Company, and the conditions to closing the Private Placement are satisfied. In addition, the Company must maintain the listing of its common stock on the NASDAQ Stock Market.

The completion of the Merger is subject to the satisfaction or waiver of certain closing conditions, including, without limitation, (i) the raising and placement into escrow of the proceeds from the Private Placement; (ii) approval by the Company's shareholders and Board of Directors of the Merger Agreement and other transactions contemplated in connection with the Merger, (iii) the approval by Six Dimensions' Board of Directors and the Six Dimensions Shareholders of the Merger Agreement and other transactions contemplated thereunder, (iv) the provision by the Company to Six Dimensions of certain financial statements of the Company and (v) the provision by Six Dimensions to the Company of certain financial statements of Six Dimensions.

Edgar Filing: CleanTech Innovations, Inc. - Form 10-Q

The Merger Agreement contains certain termination rights for both Six Dimensions and the Company. In addition, either party may terminate the Merger Agreement if the Merger is not consummated by December 31, 2014. The Merger has not been completed as of June 30, 2014 and as of the date of filing this report.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of such agreement filed on June 17, 2014 as an annex to the Company's Current Report on Form 8-K, which is hereby incorporated into this Quarterly Report on Form 10-Q by reference.

Table of Contents

On July 31, 2014, the Company filed a Certificate of Change pursuant to Section 78.209 of the Nevada Revised Statutes (the “Certificate of Change”) with the Secretary of State of the State of Nevada to effect a one (1)-for-three (3) reverse stock split (the “Reverse Split”) of the authorized and issued and outstanding shares of the Common Stock, par value \$0.00001 per share, of the Company. Pursuant to the Certificate of Change, the Reverse Split was effective at 5:00 a.m. Eastern Standard Time on July 14, 2014.

The Reverse Split was duly approved by the Board of Directors of the Company without shareholder approval, in accordance with the authority conferred by Section 78.207 of the Nevada Revised Statutes. At the Effective Time, the Company's Articles of Incorporation were deemed amended and the authorized number of shares of the Company decreased from two hundred million (200,000,000) shares to sixty-six million, six hundred and sixty-six thousand, six hundred and sixty-seven (66,666,667) shares.

Critical Accounting Policies

While our significant accounting policies are more fully described in Note 2 to our consolidated financial statements, we believe the following accounting policies are the most critical to aid you in understanding and evaluating this management discussion and analysis.

Basis of Presentation

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of CleanTech and its wholly owned subsidiaries, Creative Bellows and Creative Wind Power up to June 12, 2014; the Company disposed all of its equity interest in Creative Bellows and Creative Wind Power on June 12, 2014 and recognized a \$10.71 million loss on disposal of the China Subsidiaries. All intercompany transactions and account balances were eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates, required by management, include the recoverability of long-lived assets and the valuation of inventories. Actual results could differ from those estimates.

Accounts and Retentions Receivable

We maintain reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Past due receivables are determined based on payment terms specified in the contract. We do not anticipate any significant credit risk because the majority of our customers are large, well-capitalized, state-owned and publicly traded utility and industrial companies with stable operations. The retention is 10% of the sales price with a term of one year, but no later than the termination of the warranty period.

Revenue Recognition

Our revenue recognition policies are in compliance with Securities Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) 104 (codified in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 605). Sales revenue, including the final 10% of the purchase price, is recognized after delivery is complete, customer acceptance of the product occurs and collectability is reasonably assured. Customer acceptance occurs after the customer puts the product through a quality inspection, which normally is completed within one to two weeks from customer receipt of the product. In case of sales contracts with FOB shipping terms, the customer is responsible for the cost of freight, and insurance and revenue is recognized when products are delivered to the carrier. In case of sales contracts with FOB destination terms, the Company is responsible for the cost of freight, and insurance and revenue is recognized when customer acceptance is received. The customer is responsible for installation and integration of our products into its end products. Payments received before satisfaction of all relevant criteria for revenue recognition are recorded as unearned revenue. Unearned revenue consists of payments received from customers prior to customer acceptance of our products.

Sales revenue represents the invoiced value of goods, net of value-added tax (“VAT”). Our products sold and services provided in China are subject to VAT of 17% of gross sales price. This VAT may be offset by VAT paid by us on raw materials and other materials included in the cost of producing the finished product. We recorded VAT payable and VAT receivable net of payments in the financial statements. The VAT tax return is filed offsetting the payables against the receivables.

Table of Contents

RESULTS OF OPERATIONS

The six months ended June 30, 2014, compared to the six months ended June 30, 2013

The following table presents the consolidated results of operations for the six months ended June 30, 2014 and 2013.

	2014		2013	
	\$	% of Sales	\$	% of Sales
Net sales	-	-	-	-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Operating expenses	330,035	-	-	-
Loss from operations	(330,035)	-	-	-
Total non-operating expense	(444,515)	-	(941,077)	-
Loss from continuing operations	(774,550)	-	(941,077)	-
Loss from discontinued operation, net of tax	(452,974)	-	(1,342,692)	-
Loss on disposal of subsidiaries	(10,711,186)	-	-	-
Net loss	(11,938,710)	-	(2,283,769)	-

OPERATING EXPENSES

Operating expenses for the six months ended June 30, 2014 was \$330,035, mainly consisted of public company-related expenses such as legal, audit and accounting fees, that were born by the U.S. parent company. The operating expenses for the six months ended June 30, 2013 was \$0 due to the Company not having any activities relating to being public from the period of April 2012 through August 2013 as a result of a delisting decision by NASDAQ. The delisting decision was reversed by the SEC on July 11, 2013.

TOTAL NON-OPERATING EXPENSES

Total non-operating expenses for the six months ended June 30, 2014 and 2013 was \$444,515 and \$941,077, respectively, mainly for the interest expense on the notes. From March 1, 2012 through August 13, 2013, the Company was in default on interest payments that it was required to pay in advance; and was also in default in payment of a \$10 million loan (from NYGG) due on March 1, 2013. Therefore, the interest from the date of the default was at the lesser of 24% or the maximum applicable legal rate. The Company used 24% as the default interest rate from March 1, 2012 through August 13, 2013. After August 13, 2013, the interest rate on the \$10 million loan was 8.5% according to a new Line of Credit Agreement with NYGG entered on August 17, 2013.

LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations of the US parent company for the six months ended June 30, 2014 and 2013 was \$0.77 million and \$0.94 million, respectively.

LOSS FROM DISCONTINUING OPERATIONS

Loss from discontinuing operations of the Chinese subsidiaries was \$0.45 million and \$1.34 million, for the six months ended June 30, 2014 and 2013, respectively.

LOSS ON DISPOSAL OF SUBSIDIARIES

Loss on the disposal of the Company's China Subsidiaries was \$10,711,186. The loss on the disposal of the China Subsidiaries was more fully described in Note 2 to our consolidated financial statements.

NET LOSS

Net loss for the six months ended June 30, 2014 was \$11.94 million compared to net loss of \$2.28 million for the same period of 2013. The increase in net loss was mainly due to increased operating expenses of our U.S. parent company and loss on disposal of our China Subsidiaries, despite the fact that we had less interest expense in addition to decreased operating loss from our China Subsidiaries.

Table of Contents

The three months ended June 30, 2014, compared to the three months ended June 30, 2013

The following table presents the consolidated results of operations for the three months ended June 30, 2014 and 2013.

	2014		2013	
	\$	% of Sales	\$	% of Sales
Net sales	-	-	-	-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Operating expenses	357,833	-	-	-
Loss from operations	(357,833)	-	-	-
Total non-operating expenses	(222,719)	-	(599,104)	-
Loss from continuing operations	(580,552)	-	(599,104)	-
Loss from discontinued operation, net of tax	(1,097,928)	-	(774,824)	-
Loss on disposal of subsidiaries	(10,711,186)	-	-	-
Net loss	(12,389,666)	-	(1,373,928)	-

OPERATING EXPENSES

Operating expenses for the three months ended June 30, 2014 was \$357,833, mainly consisted of public company-related expenses such as legal, audit and accounting fees, that were born by the U.S. parent company. The operating expenses for the six months ended June 30, 2013 was \$0 due to the Company not having any activities relating to being public from the period of April 2012 through August 2013 as a result of a delisting decision by NASDAQ. The delisting decision was reversed by the SEC on July 11, 2013.

TOTAL NON-OPERATING EXPENSES

Total non-operating expenses for the three months ended June 30, 2014 and 2013 was \$222,719 and \$599,104,, respectively, mainly for the interest expense on the notes. From March 1, 2012 through August 13, 2013, the Company was in default on interest payments that it was required to pay in advance and was also in default in payment of a \$10 million loan (from NYGG) due on March 1, 2013. Therefore, the interest from the date of the default was at the lesser of 24% or the maximum applicable legal rate. The Company used 24% as the default interest rate from March 1, 2012 through August 13, 2013. After August 13, 2013, the interest rate on the \$10 million loan was 8.5% according to a new Line of Credit Agreement with NYGG entered on August 17, 2013.

LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations of the US parent company for the three months ended June 30, 2014 and 2013 was \$0.58 million and \$0.60 million, respectively.

LOSS FROM DISCONTINUING OPERATIONS

Loss from discontinuing operations (the China Subsidiaries) was \$1.10 million and \$0.77 million, for the three months ended June 30, 2014 and 2013, respectively.

LOSS ON DISPOSAL OF SUBSIDIARIES

Loss on the disposal of the Company's China Subsidiaries was \$10,711,186. The loss on the disposal of the China Subsidiaries was more fully described in Note 2 to our consolidated financial statements.

NET LOSS

Net loss for the three months ended June 30, 2014 was \$12.39 million compared to net loss of \$1.37 million for the same period of 2013. The increase in net loss was mainly due to the increased operating expenses of our U.S. parent company, increased operating loss from our China Subsidiaries, despite the fact that we had less interest expense for the three months ended June 30, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The six months ended June 30, 2014, compared to the six months ended June 30, 2013

Our operational and liquidity needs are funded primarily through cash flows from operations, short-term borrowings, shareholder contributions and financing through capital markets. The cash was used primarily in operations.

Table of Contents

The following is a summary of cash provided by or used in each of the indicated types of activities during the six months ended June 30, 2014 and 2013:

	2014	2013
Cash provided by (used in):		
Operating activities	\$ 1,232,365	\$ 469,216
Investing activities	27,308	83,973
Financing activities	(1,265,180)	(474,052)

Net cash provided by operating activities was \$1,232,365 for the six months ended June 30, 2014, compared to \$469,216 for the same 2013 period. The increase in net cash provided in operating activities during the six months ended June 30, 2014 was due mainly to improved collection on accounts receivables, notes receivable and other receivables and less advance payment to suppliers.

Net cash provided by investing activities was \$27,308 during the six months ended June 30, 2014 compared to \$83,973 for the same 2013 period. The cash provided by investing activities in the six months ended June 30, 2014 resulted from changes in restricted cash of \$243,585 despite the fact that we had \$177,483 cash disposed with the discontinued operations of our China Subsidiaries. The cash provided by investing activities in the same period of 2013 was mainly from the receipt of cancellation of the long term investment of \$96,134.

Net cash used in financing activities was \$1,265,180 for the six months ended June 30, 2014, compared to net cash used in financing activities of \$474,052 for the same 2013 period. The cash outflow in the six months ended June 30, 2014 was for repayment of \$2.26 million for the short-term loans of our China Subsidiaries, offset with proceeds from advances from shareholder Bei Lu of \$990,459. In the six months ended June 30, 2013, the cash outflow resulted from advances to an officer/shareholder of \$89,517 and repayment of short term loans of \$384,535.

Recent Accounting Pronouncements

In January 2014, FASB issued Accounting Standards Update 2014-05, Service Concession Arrangements (Topic 853). The objective of this Update is to specify that an operating entity should not account for a service concession arrangement within the scope of this Update as a lease in accordance with Topic 840, Leases. Service concession arrangements may become more prevalent in the United States as public-sector entities seek alternative ways to provide public services on a more efficient and cost-effective basis. The amendments apply to an operating entity of a service concession arrangement entered into with a public-sector entity grantor when the arrangement meets certain conditions. The amendments in this Update should be applied on a modified retrospective basis to service concession arrangements that exist at the beginning of an entity's fiscal year of adoption. The modified retrospective approach requires the cumulative effect of applying this Update to arrangements existing at the beginning of the period of adoption to be recognized as an adjustment to the opening retained earnings balance for the annual period of adoption. The amendments are effective for a public business entity for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this ASU will not affect the Company's financial statements.

Off-Balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts indexed to our shares and classified as stockholders' equity or not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing,

liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Contractual Obligations

On December 13, 2010, we entered into a loan with NYGG for \$10 million. At the NYGG's option, the principal amount of the note and all interest thereon shall be paid in either USD or RMB at an exchange rate of RMB 6.90 to USD 1.00 if paid on or before March 1, 2012, and thereafter at an exchange rate of RMB 6.30 to USD 1.00 to the NYGG or any designee of NYGG as provided to us in writing by NYGG. The loan bore interest of 10% payable in advance at the beginning of each quarter with a maturity of March 1, 2012. The loan was amended to mature on March 1, 2013, and to decrease the interest rate to 8.5%, effective March 1, 2012, which interest shall be payable quarterly in advance. From March 1, 2012 through August 13, 2013, we were in default on interest payment that was required to pay in advance; we were also in default in payment of \$10 million loan due on March 1, 2013. The interest, from the date of the Default, was at the lesser of 24% or the maximum applicable legal rate. Accordingly, we used 24% as default interest rate from March 1, 2012 through August 13, 2013. After August 13, 2013, the interest rate on the \$10 million loan was 8.5% according to the Line of Credit Agreement described below. We had interest payable of \$4.05 million on this loan as of June 30, 2014.

Table of Contents

Through a new Line of Credit Agreement entered with the NYGG on August 17, 2013, this default loan became payable upon Note-holder's request and the interest rate at 8.5% after August 13, 2013. The Promissory Note entered on August 17, 2013 along with an Escrow Agreement was for a Line of Credit available to us of up to \$10 million. The lender deposits the required amount into an escrow account each time before disbursement, and the escrow agent disburses some or all of the deposit from time to time as directed in writing by the lender for advancing us to pay expenses that are approved by the lender. The applicable interest rate for this line of credit is 3% during the first six months following each advance, and 0% thereafter, to be paid on the first day of each month, with maturity upon Note-holder's request. This promissory note has a default rate of 24%. As of June 30, 2014, we borrowed \$0.53 million from the credit line and accrued interest of \$10,000 which was not yet paid.

On December 14, 2011, we entered into a 3% promissory note for \$50,000 for paying legal expenses, maturing on February 1, 2012. The note is past due with default interest at 6% accrued subsequent to February 1, 2012. As of June 30, 2014, we had accrued interest of \$7,438 on this note.

In addition, as of June 30, 2014, we had \$400,808 payable for legal expense with \$84,203 accrued interest, for unpaid legal fees to a law firm in connection with the representation of the Company in its lawsuit against the NASDAQ Stock Market, LLC and NASDAQ OMX Group.

At June 30, 2014, we had short-term loans outstanding of \$10.58 million, \$400,808 unpaid legal fees, and total accrued interest of \$4.15 million on the loans and unpaid legal fees.

Pending Litigation

On March 19, 2014, Stradley Ronon Stenvens & Young, LLP (the "Stradley"), filed a complaint in the Court of Common Pleas, Philadelphia County against the Company seeking \$125,000 in unpaid legal fees in connection with Stradley's representation of an appeal to the SEC regarding an adverse listing decision made by the NASDAQ Listing and Hearing Review Council. Stradley also alleged that the Company has failed to pay the firm \$39,276.99 in fees for separate non-SEC legal matter. The Company failed to timely file an answer to the complaint and to enter a written appearance. On April 30, 2014, Stradley filed a notice of intent to take default judgment on the claim. The plaintiff has withdrawn the legal action against CleanTech on July 2, 2014 as a result of the debt assumed by NYGG.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, our principal executive officer and principal financial officer, respectively, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2014, our disclosure controls and procedures were not effective as of such date because of a material

weakness identified in our internal control over financial reporting related to our internal level of U.S. GAAP expertise. We lack sufficient personnel with the appropriate level of knowledge, experience and training in U.S. GAAP for the preparation of financial statements in accordance with U.S. GAAP. None of our internal accounting staff, including our Chief Financial Officer, that are primarily responsible for the preparation of our books and records and financial statements in compliance with U.S. GAAP holds a license such as Certified Public Accountant in the U.S., nor have any attended U.S. institutions or extended educational programs that would provide enough of the relevant education relating to U.S. GAAP.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As of March 31, 2012, Creative Bellows had a case pending in arbitration for the recovery of approximately one million RMB. Creative Bellows filed the arbitration proceeding for a breach of contract by Dongbei Jincheng Construction Co., Ltd., a plant construction contractor. On March 14, 2013, Dongbei JinCheng filed a complaint in the Tieling Intermediate People's Court against the Company, alleging that the Company owes it construction costs in the amount of RMB 2,400,099.82 plus RMB 700,000 interest and RMB 28,176 arbitration expenses. On March 19, 2013, the company filed a counterclaim against Dongbei JinCheng, alleging that Dongbei JinCheng breached the contract by failing to complete the construction work according to quality specifications. The Company sought in RMB 2,197,131.53 monetary damages. On October 9, 2013, Dongbei JinCheng was ordered by the court to pay RMB 27,000 examination fee, RMB 77,413.89 repair costs and RMB 13,000 design and appraisal costs to the Company. On October 10, 2013, the Company filed an appeal against Dongbei JinCheng to Liaoning High People's Court in order to obtain higher damages. As of May 9, 2014, this case is under review by Liaoning High People's Court.

On January 5, 2012, the Company filed an amended complaint in the United States District Court for the Southern District of New York against the NASDAQ Stock Market, LLC and NASDAQ OMX Group, referred to collectively as NASDAQ. The Company alleged that NASDAQ's actions resulted in a violation of the Company's equal protection rights under the United States Constitution, amounted to selective prosecution and intentionally breached the Company's attorney-client privilege. The Company sought a permanent injunction enjoining NASDAQ from using its discriminatory policies against the Company and also sought at least \$300 million in monetary damages. On January 31, 2012, the amended complaint was dismissed on the basis of a lack of subject matter jurisdiction. The Company decided not to file an appeal to the Second Circuit Court of Appeals so it could focus on its appeal to the SEC of NASDAQ Listing Qualifications determination to delist the Company's common stock.

The Company applied to the SEC for a review of the final delisting decision made by NASDAQ Listing Qualifications. On July 11, 2013, the Securities Exchange Commission ("SEC") reversed the 2011 delisting of the Company's stock on the NASDAQ Stock Market, LLC.

On March 21, 2012, Fensterstock & Partners LLP, filed a complaint in the Supreme Court of the State of New York against the Company, and others, seeking \$400,808 in unpaid legal fees in connection with Fensterstock's representation of the Company in its suit against the NASDAQ Stock Market, LLC and NASDAQ OMX Group. The Company has filed an answer to the complaint, denying the material allegations of the complaint. Fensterstock filed a motion for partial summary judgment on its claim for "account stated" and the Company then filed papers in opposition to Fensterstock's motion for partial summary judgment. The Company intends to continue to defend itself against the claims asserted. On October 9, 2012, the court awarded a judgment in favor of Fensterstock & Partners LLP in the amount of 423,333.26 (original due of \$400,808 plus accrued interest from March 1, 2012 through August 24, 2012) plus interest at 9% until paid in full.

We may occasionally become involved in various lawsuits and legal proceedings arising in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters that may arise from time to time could have an adverse effect on our business, financial condition or operating results. We are currently not aware of any such legal proceedings, aside from those listed above, or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors

You should consider carefully the factors discussed in the “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013, which could materially affect our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

29

Table of Contents

Item 3. Defaults Upon Senior Securities

On December 13, 2010, the Company entered into a loan with NYGG for \$10 million (the “2010 Loan”). At NYGG’s option, the principal amount of the 2010 Loan and all interest thereon shall be paid in either USD or RMB at an exchange rate of RMB 6.90 to USD\$1.00 if paid on or before March 1, 2012, and thereafter at an exchange rate of RMB 6.30 to USD\$1.00. The 2010 Loan bore interest at 10% payable in advance at the beginning of each quarter with a maturity date of March 1, 2012. Subsequently, the 2010 Loan was amended to extend the maturity date to March 1, 2013 and to decrease the interest rate to 8.5%, effective March 1, 2012, which interest was to be payable quarterly in advance. From March 1, 2012 through August 13, 2013, the Company was in default on the interest payments that it was required to pay in advance; the Company was also in default in payment of the principal amount of \$10 million due on March 1, 2013. Therefore, the interest rate from the date of the default was at the lesser of 24% or the maximum applicable legal rate. The Company used 24% as the default interest rate from March 1, 2012 through August 13, 2013. After August 13, 2013, the interest rate on the 2010 Loan was 8.5% according to the Line of Credit Agreement described below. The Company had interest payable of \$4.05 million as of June 30, 2014.

Through a new Line of Credit Agreement entered with the same lender on August 17, 2013, this default became payable upon NYGG’s request at the interest rate of 8.5% after August 13, 2013. The Promissory Note entered on August 17, 2013 along with an Escrow Agreement was for a Line of Credit available to the Company of up to \$10 million. NYGG deposits the required amount into an escrow account each time before disbursement, and the escrow agent disburses some or all of the deposit from time to time, as directed in writing by NYGG, as advances to the Company to pay expenses that are approved by NYGG. The applicable interest rate for the amount borrowed under this line of credit is 3% during the first six months following each advance, and 0% thereafter, to be paid on the first day of each month, maturing upon NYGG’s request. The promissory note has a default rate of 24%. As of June 30, 2014, the Company borrowed \$0.53 million from the credit line and accrued interest of \$10,000 which has not yet been paid.

On December 14, 2011, the Company entered into a 3% promissory note with a lender for \$50,000, maturing on February 1, 2012, for the payment of its legal expenses. As of June 30, 2014, the Company had accrued interest of \$7,438 on this note. The note is past due with default interest at 6% accrued subsequent to February 1, 2012.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLEANTECH INNOVATIONS, INC.
(Registrant)

Date: August 14, 2014

By: /s/ Terry McEwen
Terry McEwen
Chief Executive Officer
(Principal Executive Officer)

Table of Contents

EXHIBIT INDEX

Exhibit No.	Document Description
31.1 †	<u>Certification of President pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1 ‡	<u>Certifications of President and Acting Chief Accountant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS†	XBRL Instance Document
101.SCH†	XBRL Schema Document
101.CAL†	XBRL Calculation Linkbase Document
101.DEF†	XBRL Definition Linkbase Document
101.LAB†	XBRL Label Linkbase Document
101.PRE†	XBRL Presentation Linkbase Document

Management contract or compensatory plan, contract or arrangement

† Filed herewith

‡ Furnished herewith

