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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31**, 2014**

or

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

For the transition period from to

Commission File Number:**333-125678 (1933 Act)**

PROBE MANUFACTURING, INC.

(Exact name of registrant as specified in its charter)

Nevada	**20-2675800**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
17475 Gillette Avenue, Irvine CA	**92614**
(Address of principal executive offices)	(Zip Code)

(949) 273-4990

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 past 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

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer ☐	Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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

As of May 14, 2014 there were 25,251,945 shares of common stock of Probe Manufacturing, Inc. outstanding.

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PROBE MAUFACTURING, INC.
(A Nevada Corporation)

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PROBE MANUFACTURING, INC.

Condensed Balance Sheet

	Un-Audited March 31, 2014	December 31, 2013
Assets		
Current Assets:		
Cash	$ -	$ 6,749
Accounts receivable - net	555,913	429,413
Inventory	664,278	688,286
Total Current Assets	1,220,191	1,124,448
Property And Equipment - Net	141,354	142,058
Goodwill	420,673	420,673
Other Assets	79,571	42,444
Total Assets	$ 1,861,789	$ 1,729,623
Liabilities And Stockholders' (Deficit)		
Current Liabilities:		
Bank Overdraft	$ 2,726	$ 16,098
Accounts payable - trade	678,318	654,127
Accrued Expenses	225,434	146,939
Notes Payable - Current	295,460	183,567
Total Current Liabilities	1,201,938	1,000,731
Long-Term Debt:		
Notes Payable	-	-
Less Current portion of Long Term Debt	-	-
Net Long-Term Debt	-	-
Total Liabilities	1,201,938	1,000,731
Stockholders' (Deficit)		
Preferred D stock, stated value $100 per share; 20,000 shares authorized; 5000 shares and 0 shares issued and outstanding respectively	750,000	750,000
Common stock, $.001 par value; 400,000,000 shares authorized; 24,251,945 and 24,251,945 shares issued and outstanding respectively	24,253	24,253
Additional paid-in capital	1,242,659	1,242,659
Treasury Stock	(1,113)	(1,113)
Accumulated deficit	(1,355,948)	(1,286,907)
Total Stockholders' (Deficit)	659,851	728,892
Total Liabilities And Stockholders' Deficit	$ 1,861,789	$ 1,729,623

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

Probe Manufacturing, Inc.
Statement of Operations
for the three months ended March 31,

	Un-Audited 2014	Un-Audited 2013
Sales	$ 903,344	$ 712,657
Cost of Goods Sold	656,034	536,617
Gross Profit	247,310	176,040
General And Administrative	276,129	289,431
Share Based Expense	-	2,124
Net Profit / (Loss) From Operations	(28,819)	(115,515)
Other Income / (Expenses)	-	-
Interest Expense	(40,222)	(30,421)
Net Profit / (Loss) Before Income Taxes	(69,041)	(145,936)
Income Tax Expense	-	-
Net Profit / (Loss)	$ (69,041)	$ (145,936)
Per Share Information: Basic weighted average number of common shares outstanding	24,251,945	20,415,906
Net Profit / (Loss) per common share	$ (0.00)	$ (0.01)
Per Share Information: Diluted, weighted average number of common shares outstanding	24,251,945	20,415,906
Diluted, Net Profit / (Loss) per common share	$ (0.00)	$ (0.01)

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

PROBE MANUFACTURING, INC.
Consolidated Statements of Cash Flows
for the three months ended March 31,

	Preliminary Un-Audited 2014	Preliminary Un-Audited 2013
Cash Flows from Operating Activities:		

Net Income / (Loss)	$ (69,041)	$ (145,936)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,204	7,885
Share based compensation	-	2,124
Net Assets Acquired	-	(262,979)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(126,500)	236,269
(Increase) decrease in inventory	24,008	(1,350)
(Increase) decrease in other assets	(37,127)	(56,886)
(Decrease) increase in accounts payable	24,191	180,614
Other (Decrease) increase in accrued expenses	78,495	44,326
Net Cash provided / (Used) In Operating Activities	(97,770)	4,067
Cash Flows from Investing Activities		
Purchase property plant and equipment	(7,500)	(33,665)
Cash Flows Used In Investing Activities	(7,500)	(33,665)
Cash Flows from Financing Activities		
Bank Overdraft / (Repayment)	(13,372)	-
(Decrease) increase in advances line of credit	-	(135,502)
Repurchase Treasury Stock	-	(480)
Proceeds / (Payments) on notes payable	111,893	148,044
Cash Flows Provided / (used) By Financing Activities	98,521	12,062
Net (Decrease) Increase in Cash and Cash Equivalents	(6,749)	(17,536)
Cash and Cash Equivalents at Beginning of Period	6,749	19,260
Cash and Cash Equivalents at End of Period	$ -	$ 1,724
Supplemental Information:		
Interest Paid	$ 9,182	$ 44,174
Excess of purchase price over net assets-acquisition	$ -	$ 420,673
Shares Issued for Services	$ -	$ 2,124
Shares issued for Acquisition	$ -	$ 233,751

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

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PROBE MANUFACTURING, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

The use of the words "Probe," "PMI," "we," "us," "our" or "the Company" refers to Probe Manufacturing, Inc. and its subsidiaries, except where the context otherwise requires.

1. Organization and Description of the Business.

Probe Manufacturing Industries, Inc. was incorporated on July 7, 1995. On April 21, 2005, the Company was re-domiciled from California to Nevada, and changed its name to Probe Manufacturing; Inc. Probe is an electronics design & manufacturing services (EMS) company. We provide a full range of engineering, manufacturing and supply chain management services to original equipment manufacturers (OEM), who design and market electronic products. We manufacture products primarily for customers in the medical, aerospace, alternative fuel, industrial and instrumentation industries. Probe's EMS offerings include collaborative design, materials management, proto-typing, product manufacturing, full system integration, product testing and product warranty repair, and end-of-life support. We support our customers from concept to fulfillment of their products resulting in improved return on investment, reduced materials acquisition time and cost and accelerating time to market.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the normal course of business. The Company had a total stockholder's equity of $659,851 and a working capital surplus of $18,253; however, we still had net loss of $(69,041) for the three months ended March 31, 2014 and an accumulated deficit of $(1,355,948) as of March 31, 2014. Therefore, the ability of the Company to operate as a going concern is still dependent upon its ability to: (1) obtain sufficient debt and/or equity capital; and/or (2) generate positive cash flow from operations.

Plan of Operation

Management is taking the following steps to obtain &sustain profitability and growth: (i) organic growth through vertical integration (ii) diversification of sales and industries by continually driving new sales; (iii) participating in the growth of our foundry companies in return for manufacturing rights and equity; (iv) expansion of capabilities and competencies through mergers & acquisitions providing scale, cost synergies and revenue opportunities.

Our future success is dependent on our ability to sustain profitable growth and attain additional growth. Capital. There can be no assurance that we will be successful in obtaining any such financing, or that it will be able to generate sufficient positive cash flow from operations. The successful outcome of these or any future activities cannot be determined at this time and there is no assurance that if achieved, we will have sufficient funds to execute our business plan. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

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2. Basis of Presentation and Summary of Significant Accounting Policies.

Our accompanying condensed financial statements have been prepared by us in accordance with generally accepted accounting principles in the United States of America, or GAAP, in conjunction with the rules and regulations of the U. S. Securities and Exchange Commission, or the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying condensed financial statements reflect all adjustments which are, in our view, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such full year results may be less favorable.

In preparing our accompanying financial statements, management has evaluated subsequent events through the financial statement issuance date. We believe that although the disclosures contained herein are adequate to prevent the information presented from being misleading, our accompanying condensed financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2013 Annual Report on Form 10-K, as filed with the SEC on April 15, 2014.

Cash and Cash Equivalents

We maintain the majority of our cash accounts at a commercial bank. The total cash balance is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per commercial bank. For purposes of the statement of cash flows we consider all cash and highly liquid investments with initial maturities of one year or less to be cash equivalents.

Cash and cash equivalents consisted of the following as of:

	March 31, 2014	December 31, 2013
Cash and bank balances	$ -	$ 6,749

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates may be materially different from actual financial results. Significant estimates include the recoverability of long-lived assets, the collection of accounts receivable and valuation of inventory and reserves.

Accounts Receivable

We grant credit to our customers located within the United States of America; and do not require collateral. Our ability to collect receivables is affected by economic fluctuations in the geographic areas and industries served by us.

Reserves for un-collectable amounts are provided, based on past experience and a specific analysis of the accounts. Although we expect to collect amounts due, actual collections may differ from the estimated amounts. As of March 31, 2014, we had a reserve for potentially un-collectable accounts of $40,000. Six customers accounted for approximately 76% of accounts receivable at March 31, 2014 and no one customer accounted for more than 20% of the accounts receivable balance. Our trade accounts primarily represent unsecured receivables. Historically, our bad debt write-offs related to these trade accounts have been insignificant.

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Inventory

Inventories are valued at the lower of weighted average cost or market value. Our industry experiences changes in technology, changes in market value and availability of raw materials, as well as changing customer demand. We make provisions for estimated excess and obsolete inventories based on regular audits and cycle counts of our on-hand inventory levels and forecasted customer demands and at times additional provisions are made. Any inventory write offs are charged to the reserve account. As of March 31, 2014 we had a reserve for potentially obsolete inventory of $205,000.

Inventories by major classification were comprised of the following as of:

	March 31, 2014	December 31, 2013
Raw Material	$ 668,096	$ 670,310
Work in Process	184,343	205,812
Finished Goods	16,839	17,162
Total	869,278	893,284
Less reserve for excess or obsolete inventory	(205,000)	(205,000)
Total Inventory	$ 664,278	$ 688,284

Property and Equipment

Property and equipment are stated at cost. Assets held under capital leases are recorded at lease inception at the lower of the present value of the minimum lease payments or the fair market value of the related assets. The cost of ordinary maintenance and repairs is charged to operations. Depreciation and amortization are computed on the straight-line method over the following estimated useful lives of the related assets:

Furniture and fixtures	3 to 7 years
Equipment	7 to 10 years
Leasehold improvements	5 years (life of the lease)

Property and equipment were comprised of the following at:

	March 31,2014	December 31, 2013
Capital Equipment	$ 2,469,228	$ 2,461,728
Leasehold improvements	119,536	119,536
Total	2,588,764	2,581,264
Accumulated Depreciation	(2,447,410)	(2,439,206)
Net Fixed Assets	$ 141,354	$ 142,058

Long –Lived Assets

Our management assesses the recoverability of its long-lived assets by determining whether the depreciation and amortization of long lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment if any, is measured based on fair value and is charged to operations in the period in which long-lived assets impairment is determined by management. There can be no assurance however, that market conditions will not change or demand for our services will continue, which could result in impairment of long-lived assets in the future.

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Revenue Recognition

Revenue from product and services are recognized at the time goods are shipped or services are provided to the customer, with an appropriate provision for returns and allowances. Terms are generally FOB origination with the right of inspection and acceptance. We have not experienced a material amount of rejected or damaged product.

The Company provides services for its customers that range from contract design to original product design to repair services. The Company recognizes service revenue when the services have been performed, and the related costs are expensed as incurred.

Fair Value of Financial Instruments

The carrying amount of accounts payable and accrued expenses are considered to be representative of their respective fair values because of the short-term nature of these financial instruments.

Other Comprehensive Income

We have no material components of other comprehensive income (loss) and accordingly, net loss is equal to comprehensive loss in all periods.

Segment Disclosure

FASB Codification Topic 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. We have determined that we have one reportable segment, with contract electronics manufacturing. As such, our operations have been aggregated into one reportable segment for all periods presented.

Acquisition of Trident Manufacturing

On March 15, 2013, we entered into an Agreement and Plan of Acquisition with Trident Manufacturing, Inc., a Utah corporation, ("Trident"), and the shareholders of Trident, to acquire 100% of the issued and outstanding common stock shares of Trident. Trident is a full-service electronics manufacturing service company with a 16,000 sq. ft. manufacturing facility based in Salt Lake City, Utah and has been servicing the industrial, aerospace, military, instrumentation, and medical markets since 2005.

On March 20, 2013, we completed the acquisition of Trident whereby we acquired 100% of the issued and outstanding common stock shares of Trident and all its operational assets in exchange for 1,600,000 shares of our restricted shares of common stock. As a result of the acquisition, Trident has become a wholly-owned subsidiary of Probe Manufacturing, Inc. As a result we recognized $420,673 in goodwill.

The allocation of the purchase price and adjustment to stockholders' equity is summarized in the tables below:

Net book value of the company's net assets acquired

Cash	$	4,472
Inventory-net		19,254
Accounts Receivable-net		195,146
Other Assets		46,620
Accounts payable and accrued expenses		(361,055)
Notes payable		(167,416)
Net Assets Acquired	$	(262,978)

Adjustments to Stockholders equity		
Reduction Opening balance Equity	$	(18,419)
Adjustment to accumulated deficit		281,397
Equity adjustment from acquisition	$	262,978

3. Share Based Compensation

The company has adopted the use of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" (SFAS No. 123R) (now contained in FASB Codification Topic 718, *Compensation-Stock Compensation,* or Topic 718), which supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", and its related implementation guidance and eliminates the alternative to use Opinion 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. This Statement requires an entity to measure the cost of employee services received in exchange for an award of an equity instruments, which includes grants of stock options and stock warrants, based on the fair value of the award, measured at the grant date, (with limited exceptions). Under this standard, the fair value of each award is estimated on the grant date, using an option-pricing model that meets certain requirements. We use the Black-Scholes option-pricing model to estimate the fair value of our equity awards, including stock options and warrants. The Black-Scholes model meets the requirements of Topic 718; however the fair values generated may not reflect their actual fair values, as it does not consider certain factors, such as vesting requirements, employee attrition and transferability limitations. The Black-Scholes model valuation is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We estimate the expected volatility and estimated life of our stock options at grant date based on historical volatility; however, due to the thinly traded nature of our stock, we have chosen to use an average of the annual volatility of like companies in our industry. For the "risk-free interest rate", we use the Constant Maturity Treasury rate on 90 day government securities. The term is equal to the time until the option expires. The dividend yield is not applicable, as the company has not paid any dividends, nor do we anticipate paying them in the foreseeable future. The fair value of our restricted stock is based on the market value of our free trading common stock, on the grant date calculated using a 20 trading day average. At the time of grant, the share based-compensation expense is recognized in our financial statements based on awards that are ultimately expected to vest using historical employee attrition rates and the expense is reduced accordingly. It is also adjusted to account for the restricted and thinly traded nature of the shares. The expense is reviewed and adjusted in subsequent periods if actual attrition differs from those estimates.

We re-evaluate the assumptions used to value our share-based awards on a quarterly basis and if changes warrant different assumptions, the share-based compensation expense could vary significantly from the amount expensed in the past. We may be required to adjust any remaining share-based compensation expense, based on any additions, cancellations or adjustments to the share based awards. The expense is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. For the three months ended, March 31, 2014 and 2013 we recognized $0 and $2,124, respectively.

The following table summarizes the Company's stock-based compensation expense:

	Un-audited Three month period ended March 31, 2014	2013
Stock based compensation expense	$ -	$ 2.124

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4. Net Profit / (Loss) per Common Share

Basic profit / (loss) per share is computed on the basis of the weighted average number of shares of our common Stock outstanding. As of March 31, 2014, we had outstanding common stock shares of 24,251,945 used in the calculation of basic earnings per share. Basic Weighted average common stock shares and equivalents for the three months ended March 31, 2014, were 24,251,945. As of March 31, 2014, we had outstanding warrants to purchase 800,000 additional common stock shares, options to purchase 110,386 additional common stock shares and common stock shares to be issued of 600,000, which may dilute future earnings per share; however, these were excluded from the calculation of fully diluted earnings per share, as they were anti dilutive in effect.

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5. Income Taxes

The Company accounts for income taxes under SFAS No. 109 (now contained in FASB Codification Topic 740-10-25, Accounting for Uncertainty in Income Taxes), which requires the asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based on differences between financial reporting and tax bases of assets and liabilities measured using enacted tax rates and laws that are expected to be in effect when differences are expected to reverse. As of March 31, 2014, we had a net operating loss carry forward of $(1,355,948) and a deferred tax asset of $461,022 using the statutory rate of 34%. The deferred tax asset may be recognized in future periods, not to exceed 20 years. However, due to the uncertainty of future events we have booked valuation allowance of $461,022.

		March 31, 2014
Deferred Tax Asset	$	461,022
Valuation Allowance		(461,022)
Deferred Tax Asset (Net)	$	-

6. Accrued Expenses

Accrued expenses were comprised of the following at:

		March 31, 2014		December 31, 2013
Accrued Wages	$	81,161	$	32,154
Accrued Interest		81,445		52,029
Accrued Rent		48,190		48,190
Accrued Vacation		14,638		14,566
Total Accrued Expenses	$	225,434	$	146,939

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7. Notes Payable

On February 18, 2011 we entered into an Accounts Receivable Purchasing Agreement (the "ARPA") with DSCH Capital Partners, LLC d/b/a Far West Capital ("FWC"), an unaffiliated third party. Pursuant to the ARPA, FWC may purchase, in its sole discretion, eligible accounts receivable of our company on a revolving basis up to a maximum of $750,000. Under the terms of the ARPA, FWC may purchase eligible receivables from us with full recourse for the face amount of such eligible receivables less a discount of 1.0%. In addition, we are required to pay FWC a monthly cost of funds fee equal to the net funds employed by FWC at a rate equal to the Wall Street Journal Prime Lending Rate plus 4.75%, with a floor of 7.00%. FWC will retain 20% of the purchase price of the receivables as a reserve amount.

The ARPA also provides that FWC has the right to require us to repurchase any purchased accounts receivable: (a) if there is a dispute as to the validity of such receivable by the account debtor, (b) if certain covenants, warranties or representations made by us with respect to such receivables are breached, (c) upon and during the continuance of an event of default under the ARPA or upon the termination of the ARPA, or (d) if such receivable remains unpaid 90 days after the invoice date. The ARPA has an initial term of one year with automatic renewals for successive one-year periods. Notwithstanding that, FWC may terminate the ARPA at any time upon 90 days prior written notice or without notice upon and during the continuance of an event of default.

Additionally, provided there does not exist an event of default under the ARPA or the rider thereto (the "Rider"), FWC may make advances to or for the benefit of the company in an aggregate amount up to and not to exceed $250,000.00 from time to time during the term of the Rider and upon our request therefore, which advances shall be subject to all of the terms and conditions of the ARPA and shall be revolving consisting of advances against our eligible inventory as defined in the Rider as follows: (i) the advances against eligible inventory, at FWC's discretion, will be in amounts up to the sum 50% of all eligible inventory; provided, however, the advances against eligible inventory shall at no time exceed 33% of the net outstanding purchased accounts under the ARPA plus the outstanding amount due, or net funds employed, from advances made on eligible inventory within conditions contained within the Rider. The balance cap percentage shall be 25% after 120 days from date of the Rider. Eligible inventory will be valued at the lower of cost or market value.

On August 26, 2013, we terminated our agreement with FWC due to the level of the advance fees. Pursuant to the ARPA, the agreement will terminate 90 days after the date of our termination agreement. fee. As of December 31, 2013 the balance due to FWC was $0 and no further obligation exist to FWC.

On September 6, 2013 we entered into a short term note for $50,000 with an individual with a fixed fee of $3,500 and it is due upon demand. As of March 31, 2014 the balance was $ 38,500.

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Related Party – Notes payable

We entered into an unsecured term note, dated November 03, 2009, payable to Linwood Goddard, our Vice President of Quality Control at a 12.00% interest rate, with a 36 month amortization and monthly payments of $334.14. As of March 31, 2014 the outstanding balance was $4,332.

We entered into an unsecured term note, dated December 24, 2009, payable to Linwood Goddard our Vice President of Quality Control at a 12.00% interest rate, with a 36 month amortization and monthly payments of $334.14. As of March 31,2014 the outstanding balance was $4,332.

On February 15, 2013 we entered into a convertible promissory note with Luxus Micro Cap S.A. for $120,000. The note bears interest at the rate of 10% simple interest and is convertible at $0.10 per share and is due on February 15, 2015. On May 22, 2013 this note was converted into 1,200,000 shares of common stock.

On March 13, 2014 we entered into a Purchase order factoring agreement with a related party. Purchase orders and the subsequent Invoices are factored and sold for an agreed upon fee at the time the purchase orders are sold. As of March 31, 2014 the amount owed under this agreement was $92,800.

8. Commitments and Contingencies

Operating Rental Leases

On October 14, 2009 we entered into a 5 year lease with Bernard family trust, with a commencement date of December 31, 2009. The facility is approximately 19,701 square feet and located at 17475 Gillette, Irvine CA, 92614.

On March 28, 2011 we signed an amendment to our facility lease with an increase of 1,600 square feet. The increase in the lease commences on April 1, 2011 and continues through year five. The amended lease has the following payments:

	Original Lease	Amended lease
Year	Monthly Rent	Monthly Rent
1	7,880	7,880
2	9,850	10,650
3	10,835	11,715
4	11,820	12,780
5	12,805	13,845

On February 21st, 2012 Trident Manufacturing, Inc. entered into a 5 year lease with First Industrial Realty Trust, Inc. with a commencement date of December 31, 2009. The facility is approximately 15,040 square feet and located at 440 West Lawndale Drive, Salt Lake City UT 84115

Year	**Monthly Rent**
1	6,016
2	6,191
3	6,379
4	6,580
5	6,768

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Series D Preferred Stock Special Dividend

On August 7, 2013, we held our initial closing of our Series D Preferred Stock private financing offering with two related parties, whereby we received $750,000 in financing, $500,000 of which was received in a first tranche on June 17, 2013. Our Series D Preferred Stock offering terms allow us to raise up to $1,000,000 US with an over-allotment of $500,000 in multiple closings over the course of 6 months.

The following are primary terms of the Series D Preferred Stock Offering. The Series D Preferred holders will be paid a special monthly dividend at the rate of 17.5% per annum or at the option of the investor they may accrue such special dividends. If the Company does not pay the special dividend within five (5) business days from the end of the calendar month for which the payment of such dividend is owed, the Company will pay the investor a penalty of 3.5%. Any unpaid or accrued special dividends will be paid upon a liquidation or redemption. For any other dividends or distributions, participation will be with common stock on an as-converted basis. The Series D Preferred holders may elect to convert the Series D Preferred Stock, in his sole discretion, at any time after a one year (1) year holding period, by sending the Company a notice to convert. The conversion rate shall be equal to the greater of $0.08 or a 20% discount to the average of the three (3) lowest closing market prices of the common stock during the ten (10) trading day period prior to conversion. The Series D Preferred shall be redeemable from funds legally available for distribution at the option of the individual holders of the Series D Preferred commencing any time after the one (1) year period from the Closing (the "Redemption Period") at a price equal to the Purchase Price plus all accrued but unpaid dividends. If Company is not in a financial position to pay it back the company needs to notify the Investors thirty (30) days prior the Redemption Period commencing and both parties will negotiate in good faith for an extension of the Redemption Period. Notwithstanding, the Company may elect to redeem the Series D Preferred shares any time after the Closing at a price equal to Purchase Price plus all accrued but unpaid dividends subject to the Investors right to convert by providing the Investors written notice about its intent to redeem whereby the Investor shall have the right to convert per the terms of the conversion terms at least ten (10) days prior to such redemption by the Company.

Litigation

We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, would have a material adverse effect on our financial position, results of operations or cash flows.

9. CAPITAL STOCK TRANSACTIONS

On April 21, 2005, our Board of Directors and shareholders approved the following capital stock transactions:

We re-domiciled in the state of Nevada, whereby increasing the number of authorized common shares to 200,000,000 and designating a par value of $.001 per share.

On May 25, 2006, our Board of Directors and shareholders approved the following capital stock transactions:

An amendment to the Articles of Incorporation of the Company authorizing a new series of preferred stock, which shall be designated as Series C, and consists of 15,000 shares.

Stock Repurchase Program

On November 1, 2011, the Company adopted a plan to repurchase up to 500,000 shares of its issued and outstanding common stock in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934, as amended.

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The plan allows the Company to purchase its issued and outstanding common shares in the open market or in negotiated transactions, from time to time, depending on market conditions and other factors as well as being subject to relevant rules under Untied States securities regulations. The plan does not obligate the Company to make any purchases, at any specific time or in any particular situation. The plan may be suspended or discontinued at any time at the sole discretion of the Company. Share repurchases will be funded with the Company's available cash, after determining the working capital requirements of the Company. Accordingly, there is no guarantee as to the exact number of shares that will be repurchased under the plan.

The company's Board of Directors authorized the repurchase plan because it believes recent market conditions may have caused the Company's common stock to be undervalued. The timing and number of any shares repurchased will depend on the terms and conditions of the plan and no assurance can be given that any specific amount of common stock will be repurchased.

As of March 31, 2014, we had repurchased 21,500 shares of our common stock.

Common Stock Transactions

For the years ended December 31, 2013 and 2012, we issued the following securities without registration under the Securities Act of 1933, as amended. These securities were issued on the reliance of an exemption provided by Section 4(2) of the Securities Act.

On December 24, 2012 we issued 500,000 Shares of common stock to an accredited investor at $.10 per share.

On March 20, 2013, we completed the acquisition of Trident Manufacturing, Inc and as a result we issued 1,600,000 shares of our common stock at $.07

On January 25, 2013 we issued 110,000 of common stock for services at $.10

On January 25, 2013 we issued 10,000 of common stock to employees at $.10

Convertible Promissory Note

On February 15, 2013 we entered into a convertible promissory note with a related party for $120,000. The note bears interest at the rate of 10% simple interest and is convertible at $.10 per share and is due on February 15, 2015.

On May 10, 2013 the related party presented notice of conversion for the entire note. The shares were converted at $.010. As a result, the company issued 1,200,000 shares of common stock. The balance due on the note on December 31, 2012 is $0

On December 4, 2013 we issued 1,000,000 Shares of common stock to an accredited investor at $.10 per share.

Subsequently on April 30, 2014 we issued 1,000,000 Shares of common stock to an accredited investor at $.10 per share.

Common Stock

Our Articles of Incorporation authorize us to issue 200,000,000 shares of common stock, par value $0.001 per share. As of March 31, 2014 and December 31, 2013, there were 24,251,945 and 24,251,945 shares of common stock issued and outstanding, respectively. All outstanding shares of common stock are, and the common stock to be issued will be, fully paid and non-assessable. Each share of our common stock has identical rights and privileges in every respect. The holders of our common stock are entitled to vote upon

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all matters submitted to a vote of our shareholders and are entitled to one vote for each share of common stock held. There are no cumulative voting rights.

The holders of our common stock are entitled to share equally in dividends and other distributions that our Board of Directors may declare from time to time out of funds legally available for that purpose, if any, after the satisfaction of any prior rights and preferences of any outstanding preferred stock. If we liquidate, dissolve or wind up, the holders of common stock shares will be entitled to share ratably in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities and our obligations to holders of our outstanding preferred stock.

Reverse Stock Split

Effective January 22, 2013, we completed a one-for-ten reverse stock split of the Company's issued and outstanding shares of common stock. The reverse stock split was previously approved by the our board of directors and by shareholders at the 2012 Annual General Meeting of Shareholders held on November 28, 2012. Upon effectiveness of the reverse stock split, each ten (10) shares of the company's issued and outstanding common stock was automatically combined and converted into one (1) issued and outstanding share of common stock. This reduced the number of issued and outstanding shares of the company's common stock from approximately 200 million to approximately 20 million. The reverse stock split affected only the issued and outstanding shares of the company's common stock, as well as common stock underlying stock options outstanding immediately prior to the effectiveness of the reverse stock split. The number of authorized shares of the company's common stock was not affected by the reverse split.

Preferred Stock

Our Articles of Incorporation authorize us to issue 10,000,000 shares of preferred stock. We authorized 440 shares of Series A Convertible Preferred Stock and 20,000 shares of Series B Convertible Preferred Stock. On May 25, 2006 the Articles of Incorporation were amended authorizing 15,000 shares Series C Convertible Preferred Stock.

As of August 20, 2006 all series A, B, and C preferred been converted into Common stock.

Our Board of Directors has the authority to issue additional shares of preferred stock in one or more series, and fix for each series, the designation of and number of shares to be included in each such series. Our Board of Directors is also authorized to set the powers, privileges, preferences, and relative participating, optional or other rights, if any, of the shares of each such series and the qualifications, limitations or restrictions of the shares of each such series.

Unless our Board of Directors provides otherwise, the shares of all series of preferred stock will rank on parity with respect to the payment of dividends and to the distribution of assets upon liquidation. Any issuance by us of shares of our preferred stock may have the effect of delaying, deferring or preventing a change of our control or an unsolicited acquisition proposal. The issuance of preferred stock also could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of common stock.

On August 7, 2013, we held our initial closing of our Series D Preferred Stock private financing offering with two related parties, whereby we received $750,000 in financing. Our Series D Preferred Stock offering terms allow us to raise up to $1,000,000 US with an over-allotment of $500,000 in multiple closings over the course of 6 months.

The following are primary terms of the Series D Preferred Stock Offering. The Series D Preferred holders will be paid a special monthly divided at the rate of 17.5% per annum or at the option of the Investor such special may accrue such special dividends. If the Company does not pay the special dividend within five (5) business days from the end of the calendar month for which the payment of such dividend to owed, the Company will pay the investor a penalty of 3.5%. Any unpaid or accrued special dividends will be paid

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upon a liquidation or redemption. For any other dividends or distributions, participation with common stock on an as-converted basis. The Series D Preferred holders may elect to convert the Series D Preferred Stock, in his sole discretion, at any time after a one year (1) year holding period, by sending the Company a notice to convert. The conversion rate shall equal to the greater of $0.08 or a 20% discount to the average of the three (3) lowest closing market prices of the common stock during the ten (10) trading day period prior to conversion. The Series D Preferred shall be redeemable from funds legally available for distribution at the option of the individual holders of the Series D Preferred commencing any time after the one (1) year period from the Closing (the "Redemption Period") at a price equal to the Purchase Price plus all accrued but unpaid dividends. If Company is not in financial position to pay it back it need to notify the Investors thirty (30) days prior the Redemption Period commencing and both parties will negotiate in good faith for an extension of the Redemption Period. Notwithstanding, the Company may elect to redeem the Series D Preferred shares any time after the Closing at a price equal to Purchase Price plus all accrued but unpaid dividends subject to the Investors right to convert by providing the Investors written notice about its intent to redeem whereby the Investor shall have the right to convert per the terms of the conversion terms at least ten (10) days prior to such redemption by the Company.

The capital received from the Series D Preferred Stock offering shall be used as working capital and is intended to replace the accounts receivable financing and credit line we have with Far West Capital, which upon the final closing Series D Preferred Stock offering.

On June 25th, 2013 we received $500,000 from a related party for 5,000 shares of Preferred Series D Preferred stock. These shares which the issuer has agreed to issue (as described below), which have not been physically issued as of the date of this filing.
In addition We issued series F warrants to purchase 250,000 shares of our common stock at $.10 and series G warrants to purchase 250,000 shares of our common stock at $.20. Each warrant gives the holder the right to purchase 1 share of common stock.

On September 19th 2013 we received $250,000 from a related party of Preferred Series D Preferred stock. These shares which the issuer has agreed to issue (as described below), which have not been physically issued as of the date of this filing.

In addition We issued series F warrants to purchase 125,000 shares of our common stock at $.10 and series G warrants to purchase 125,000 shares of our common stock at $.20. Each warrant gives the holder the right to purchase 1 share of common stock.

Warrants

Series A - Common Stock Warrants

We currently have 119,288 Series A Warrants issued and outstanding. Each warrant gives the holder the right to purchase 5 shares of common stock (596,438 total shares) at $3.30 per share. The Series A Warrants expired on November 15, 2011.

Series B - Common Stock Warrants

We currently have 119,288 Series B Warrants issued and outstanding. Each warrant gives the holder the right to purchase 5 shares of common stock (596,438 total shares) at $5.00 per share. The Series B Warrants expired on May 15, 2012.

Series C – Common Stock Warrants

We currently have 60,000 Series C Warrants issued and outstanding. Each warrant gives the holder the right to purchase 1 shares of common stock (60,000 total shares) at $2.67 per share. The Series C Warrants expired on November 5, 2011.

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Series D – Common Stock warrants

We currently have 171,858 Series D Warrants issued and outstanding. Each warrant gives the holder the right to purchase 1 share of common stock (171,858 total shares) at $1.33 per share. The Series D Warrants expired on November 5, 2012.

For the year ended December 31, 2008 and 2009, we recognized share based compensation expense of $14,403 and $8,232, respectively from the issuance of options and Warrants.

Series E – Common Stock warrants

On April 8, 2011, we issued 300,000 series E Warrants. Each warrant gives the holder the right to purchase 1 share of common stock (300,000 total shares) at $0.50 per share. The Series E Warrants expire on April 8, 2016, as a result we recognized $6,600 in share based expense.

Series F – Common Stock warrants

On June 25th, we issued 250,000 series F warrants . Each warrant gives the holder the right to purchase 1 share of common stock at $.10.

On September 19th, we issued 125,000 series F warrants . Each warrant gives the holder the right to purchase 1 share of common stock at $.10.

Series G – Common Stock warrants

On June 25th, we issued 250,000 series G warrants . Each warrant gives the holder the right to purchase 1 share of common stock at $.20.

On September 19th, we issued 125,000 series G warrants . Each warrant gives the holder the right to purchase 1 share of common stock at $.20.

Warrants Activity for the Period and Summary of Outstanding Warrants (ADD IN SERIES F & G WARRANTS)

A summary of warrant activity for the periods is as follows:

	Warrants - Common Share Equivalents	Weighted Average Exercise price	Warrants exercisable - Common Share Equivalents	Weighted Average Exercise price
Outstanding December 31, 2013	300,000	0.50	300,000	0.50
Granted	750,000	0.15	750,000	0.15
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding				

March 31, 2014	1,050,000	0.50	1,050,000	0.50

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Note: The weighted average exercise price has been adjusted retroactively due to price decreases in the warrant strike prices.

	Warrants Outstanding			Warrants Exercisable	
Range of Warrant Exercise Price	Warrants - Common Share Equivalents	Weighted Average Exercise price	Weighted Average Remaining Contractual life in years	Warrants - Common Share Equivalents	Weighted Average Exercise price
$ 0.50	300,000	$0.50	2.02	300,000	$0.50
$ 0.10	375,000	$0.10	4.25	375,000	$0.10
$ 0.20	375,000	$0.20	4.25	375,000	$0.20
Total	1,050,000	$0.25		1,050,000	$0.25

Stock Options

On February 8, 2007 pursuant to our 2006 Qualified Incentive Option Plan which was adopted by our Board of Directors granted Company employees an incentive stock option to purchase up to 652,766 shares of our common stock. These options were granted at $.173 cents, the fair market value of the Company at the time of the grant. These options expire on February 8, 2017. As of March 31, 2014, there were 194,780 outstanding options under this plan.

On February 8, 2008, we granted stock options to our key employees, to purchase up to 75,000 shares of our common stock, which was approved by our Board of Directors. These options were granted at $1.73 cents, the fair market value of the Company at the time of the grant. These options expire on February 8, 2017. As a result, we recognized share-based compensation expense in the amount of $5,313 for the year ended December 31, 2007, $2,657 for the year ended December 31, 2008; $2,656 for the year ended December 31, 2009; $2,656 for the year ended December 31, 2010 and $0 for the year ended December 31, 2011.

On February 28, 2008 our granted stock options to a key employee, to purchase up to 30,000 shares of our common stock, which was approved by our Board of Directors. These options were granted at $.33 cents, the fair market value of the Company at the time of the grant. These options expire on February 8, 2017. As a result, we recognized share-based compensation expense in the amount of $5,574 for year ended December 31, 2008; $5,576 for the year ended December 31, 2009; $2,786 for the year ended December 31, 2010; and $0 for the year ended December 31, 2011.

On April 7, 2011 our board of directors approved of the Probe Manufacturing, Inc. 2011 Omnibus Incentive Plan to assist in attracting and retaining highly competent employees, directors and consultants to act as an incentive in motivating selected employees, directors and consultants of the Company to achieve long-term corporate objectives and to enable stock-based and cash-based incentive awards to qualify as performance-based compensation for purposes of the tax deduction limitations under Section 162(m) of the Code.

As of March 31, 2014 we have issued 50,000 shares pursuant to our 2011 Omnibus Incentive Plan.

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Stock to be issued under option and warrant plans

Any shares issued under the existing option or warrant plans will come from the company's authorized but un-issued, un-registered shares.

10. Related Party Transactions

Kambiz Mahdi, our Chief Executive Officer, owns Billet Electronics, which is an independent distributor of electronic components. From time to time we purchase parts from Billet Electronics. In addition, from time to time we provide assembly and value added services to Billet Electronics. In addition Billet was a supplier of parts and had dealings with current and former customers of our company. Our board of directors has approved such transactions of our chief executive officer.

We entered into an unsecured term note, dated November 03, 2009, payable to Linwood Goddard, our Vice President of Quality Control at a 12.00% interest rate, with a 36 month amortization and monthly payments of $334.14. As of March 31, 2014 the outstanding balance was $4,332.

We entered into an unsecured term note, dated December 24, 2009, payable to Linwood Goddard our Vice President of Quality Control at a 12.00% interest rate, with a 36 month amortization and monthly payments of $334.14. As of March 31, 2014 the outstanding balance was $4,332.

On February 15, 2013 we entered into a convertible promissory note with Luxus Micro Cap S.A. for $120,000. The note bears interest at the rate of 10% simple interest and is convertible at $0.10 per share and is due on February 15, 2015. On May 22, 2013 this note was converted into 1,200,000 shares of common stock.

On August 7, 2013, we held our initial closing of our Series D Preferred Stock private financing offering with two related parties, whereby we received $750,000 in financing, $500,000 of which was received in a first tranche on June 17, 2013. Our Series D Preferred Stock offering terms allow us to raise up to $1,000,000 US with an over-allotment of $500,000 in multiple closings over the course of 6 months. During the initial close Luxus Micro Cap S.A. purchased 5,000 shares of our Series D Preferred Stock for $500,000 and RDK Enterprises, LLC, an entity affiliated with our board of directors member Robert Young, purchased 2,500 Series D Preferred Stock for $250,000.

Investors in the Series D Preferred Stock private offering shall receive one (1) warrant to purchase 50,000 shares of common stock for every $100,000 invested in the offering at a price per share equal to $0.10 per share and one (1) warrant to purchase 50,000 shares of common stock at a price per share equal to $0.20 (the "Series F and G Warrants"). The Series F and G Warrants be valid for a period of 5 years from the date of the Closing. The amount and price per share shall be subject to adjustments for stock dividends, splits, combinations and similar events.

On March 13, 2014 we entered into a Purchase order factoring agreement with a related party. Purchase orders and the subsequent Invoices are factored and sold for an agreed upon fee at the time the purchase orders are sold. As of March 31, 2013 the amount owed under this agreement was $92,800.

11. Subsequent Events

On April 30, 2014 we issued 1,000,000 Shares of common stock to an accredited investor at $.10 per share.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Unless otherwise specifically stated, references in this report to "Probe," "PMI," "the Company," "we," "us," "our" and similar terms mean Probe Manufacturing, Inc. and its subsidiaries.

This report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "expects," "anticipates," "believes," "intends," "plans" and similar expressions identify forward-looking statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Form 10-Q with the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, including, without limitation, those risks and uncertainties discussed in this section, as well as any risks and uncertainties discussed in Part II, Item 1A, "Risk Factors" of this report on Form 10-Q, and in Part I, Item 1A, "Risk Factors" and in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, our future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

OVERVIEW

Probe Manufacturing Industries, Inc. was incorporated on July 7, 1995. On April 21, 2005, the Company was re-domiciled from California to Nevada, and changed its name to Probe Manufacturing, Inc. (the "Company," "Probe," or "PMI") We provide global design and manufacturing services to original electronic equipment manufacturers (OEM) from our 23000 sq-ft facility in Irvine, California and Trident Manufacturing's 16000 sq-ft facility in Salt Lake City, Utah, which we subsequently acquired in the first quarter of 2013. Our revenue is generated from sales of our services primarily to customers in the medical device, aerospace/military, telecommunication, alternative fuel, industrial and instrumentation product manufacturers. We provide our domestic customers with low cost, flexible and scalable manufacturing services. We utilize innovative manufacturing solutions, automated management systems and global sourcing strategies to provide our customers with onshore, scalable manufacturing solutions. The services that we provide are commonly referred to as Electronics Manufacturing Services (EMS). Our EMS offerings include new product introduction, collaborative design, procurement and materials management, product manufacturing, product warranty repair, and end-of-life support. We offer our customers comprehensive and integrated design and manufacturing services, from initial product design to production and direct order fulfillment. Our engineering services include product design, printed circuit board layout, prototyping, and test development. Our supply chain management solutions include purchasing, management of materials, and order fulfillment. Our manufacturing services include printed circuit board assembly, cable assembly, mechanical assembly, and fully integrated box build systems for high complexity electronics.

The majority of our revenue is driven from manufacturing a mix of complex printed circuit board assemblies (PCB), and box build assemblies. Some examples of our customer's finished goods products includes Ultrasound Therapeutic medical devices, electronic control units that help vehicles run on natural gas or hydrogen, electronic control units for precision laser welding equipment, PCB's for landing gear systems and flap controllers, fluid control units for airliners, and devices for defense industry.

Our strategy is to build and pursue global opportunities leveraging core competencies and to expand our manufacturing foundry platform for innovative start-ups in return for manufacturing rights and equity.

As innovation, cost, and time to market become hyper competitive, domestic OEM's are now compelled to use EMS partners with easy onshore access, providing local program management during product

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conceptualization, development, and integration. Many of the mid-tier OEMs in industries such as military/aerospace, medical, industrial/instrumentation, and green-tech products tend to be too small for $1 billion-plus revenue EMS companies. Most of these OEMs value close proximity and the ability to provide complex manufacturing and personal customer service, which often favors regional providers that truly value and foster their relationships.

Furthermore, with the recent cost increases in labor, currency movements and freight concerns, the ability to also provide near-shore manufacturing is expected to generate increased interest. The low to medium EMS market compared to high volume has proved to be a higher margin with higher gross profits and sustained growth momentum. Our target accounts are mid-tier, U.S. based OEMs with annual sales from $15 million to $500 million.

We believe that with the combination of: (i) our management expertise; (ii) low overhead and cost structure; (iii) sophisticated management system developed internally to oversee operational systems; (iv) innovative manufacturing solutions and now multiple domestic facilities; and (v) global sourcing solutions and domestic customer centric program management team, PMI is well positioned to take advantage of the projected increase in outsourced onshore manufacturing.

On March 20, 2013, we completed the acquisition of Trident Manufacturing, Inc., a full-service electronics manufacturing services company based in Salt Lake City, Utah. This acquisition and future acquisitions like this **will provide us with an expanded presence in lower cost regions of the US; strengthen our supply chain performance while increasing service levels and profitability;** provides additional manufacturing capacity and value-added cable and harness offerings through Trident's facility and ultimately enhance our capacity to **deliver seamless end-to-end solutions for diversified markets from manufacturing to distribution**.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the normal course of business. The Company had a total stockholder's equity of $659,851 and a working capital surplus of $18,253; however, we still had net loss of $(69,041) for the three months ended March 31, 2014 and an accumulated deficit of $(1,355,948) as of March 31, 2014. Therefore, the ability of the Company to operate as a going concern is still dependent upon its ability to: (1) obtain sufficient debt and/or equity capital; and/or (2) generate positive cash flow from operations.

Our operating results are affected by a number of factors, including the following:

- changes in the macro-economic environment and related changes in consumer demand;
- the mix of the manufacturing services we are providing, the number and size of new manufacturing programs, the degree to which we utilize our manufacturing capacity, seasonal demand, shortages of components and other factors;
- the effects on our business when our customers are not successful in marketing their products, or when their products do not gain widespread commercial acceptance;
- our components offerings which have required that we make substantial investments in the resources necessary to design and develop these products;

- our ability to achieve commercially viable production yields and to manufacture components in commercial quantities to the performance specifications demanded by our OEM customers;
- our customers' ability to cancel or delay orders or change production quantities;

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- our customers' decision to choose internal manufacturing instead of outsourcing for their product requirements;
- our exposure to financially troubled customers; and
- integration of acquired businesses and facilities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

Refer to the accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, where we discuss our more significant judgments and estimates used in the preparation of the condensed consolidated financial statements.

RESULT OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net sales. The financial information and the discussion below should be read in conjunction with the condensed consolidated financial statements and notes thereto included in this document. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2013 Annual Report on Form 10-K.

Probe Manufacturing, Inc.
Statement of Operations
for the three months ended March 31,

	Un-Audited **2014**	Un-Audited **2013**
Sales	$ 903,344	$ 712,657
Cost of Goods Sold	656,034	536,617
Gross Profit	247,310	176,040
General And Administrative	276,129	289,431
Share Based Expense	-	2,124
Net Profit / (Loss) From Operations	(28,819)	(115,515)
Other Income / (Expenses)	-	-
Interest Expense	(40,222)	(30,421)

Net Profit / (Loss) Before Income Taxes	(69,041)	(145,936)
Income Tax Expense	-	-
Net Profit / (Loss)	$ (69,041)	$ (145,936)

Net Sales

For the three month period ended March 31, 2014, we had net sales of $903,344 compared to net sales of $712,657 for the same period in 2013.

Our top five customers accounted for approximately 64% of our net sales for the three month period ended March 31,2014, compared to 63%, for the same period in 2013. We believe that our ability to grow our core business depends on increasing sales to existing customers, and on successfully attracting new customers. Customer contracts can be canceled and volume levels can be changed or delayed based on our customer's performance and the end users' markets which we have no control over. The timely replacement of delayed, canceled or reduced orders with new business cannot be ensured. In addition, we cannot assume that any of our current customers will continue to utilize our services. Consequently, our results of operations may be materially adversely affected.

Gross Profit

Gross profit is affected by a number of factors, including the number and size of new manufacturing programs, product mix, component costs and availability, product life cycles, unit volumes, pricing, competition, new product introductions, capacity utilization and the expansion and consolidation of manufacturing facilities. The flexible design of our manufacturing processes allows us to build a broad range of products in our facilities, which allows us to better utilize our manufacturing capacity. In the cases of new programs, profitability normally lags revenue growth due to product start-up costs, lower manufacturing program volumes in the start-up phase, operational inefficiencies, and under-absorbed overhead. Gross margin often improves over time as manufacturing program volumes increase, as our utilization rates and overhead absorption improves, and as we increase the level of vertically-integrated

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manufacturing services content. As a result of these various factors, our gross margin varies from period to period.

Gross profit during the three month period ended March 31, 2014 was $247,310 at 27% of sales compared to $176,040 at 25% of sales for the same period in 2013.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") amounted to $276,129 during the three month period ended March 31, 2014, compared to $289,431 for the same period in 2013.

Interest Expense

For the three month period ended March 31, 2014, our interest expense was $40,222, compared to $30,421 for the same period in 2013.

Key performance indicators

	March 31, 2014	March 31, 2013
Inventory Turns	3.88	3.41
Days Sales in Backlog	282	126
Days Receivables Outstanding	49	84
Days Payables Outstanding	93	106

Inventory turns: are calculated as the ratio of cost of material compared to the average inventory for the three months ended March 31, 2014. For the three months ended March 30, 2014, our inventory turns were 3.88 compared to 3.41 for the same period in 2013.

Days Sales in Backlog is calculated based on our back log divided by average daily sales during that period. For the three months ended March 31, 2014, days sales in backlog was 282 days compared to 126 days for the same period in 2013.

Days receivables outstanding is calculated as the ratio of average accounts receivable during that period compared to average daily sales for the same period. For the three months ended March 31, 2014, days receivables outstanding was 49 days compared to 84 days for the same period in 2013.

Days Payable outstanding is calculated as the ratio of average accounts payable during that period compared to average daily sales for the same period. For the three months ended March 31, 2014, days payable outstanding was 93 days compared to 106 days for the same period in 2013.

Liquidity and Capital Resources

PROBE MANUFACTURING, INC.
Condensed consolidated Balance sheet
as of

	March 31, 2014	December 31, 2013
Working Capital	$ 18,253	$ 123,717

Total Assets		1,861,789		1,729,623
Long term Debt		-		-
Stockholder Equity	$	659,851	$	728,892

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Accounts Receivable Financing

On February 18, 2011 we entered into an Accounts Receivable Purchasing Agreement (the "ARPA") with DSCH Capital Partners, LLC d/b/a Far West Capital ("FWC"), an unaffiliated third party. Pursuant to the ARPA, FWC may purchase, in its sole discretion, eligible accounts receivable of our company on a revolving basis up to a maximum of $750,000. Under the terms of the ARPA, FWC may purchase eligible receivables from us with full recourse for the face amount of such eligible receivables less a discount of 1.0%. In addition, we are required to pay FWC a monthly cost of funds fee equal to the net funds employed by FWC at a rate equal to the Wall Street Journal Prime Lending Rate plus 4.75%, with a floor of 7.00%. FWC will retain 20% of the purchase price of the receivables as a reserve amount.

The ARPA also provides that FWC has the right to require us to repurchase any purchased accounts receivable: (a) if there is a dispute as to the validity of such receivable by the account debtor, (b) if certain covenants, warranties or representations made by us with respect to such receivables are breached, (c) upon and during the continuance of an event of default under the ARPA or upon the termination of the ARPA, or (d) if such receivable remains unpaid 90 days after the invoice date. The ARPA has an initial term of one year with automatic renewals for successive one-year periods. Notwithstanding that, FWC may terminate the ARPA at any time upon 90days prior written notice or without notice upon and during the continuance of an event of default.

Additionally, provided there does not exist an event of default under the ARPA or the rider thereto (the "Rider"), FWC may make advances to or for the benefit of the company in an aggregate amount up to and not to exceed $250,000.00 from time to time during the term of the Rider and upon our request therefore, which advances shall be subject to all of the terms and conditions of the ARPA and shall be revolving consisting of advances against our eligible inventory as defined in the Rider as follows: (i) the advances against eligible inventory, at FWC's discretion, will be in amounts up to the sum 50% of all eligible inventory; provided, however, the advances against eligible inventory shall at no time exceed 33% of the net outstanding purchased accounts under the ARPA plus the outstanding amount due, or net funds employed, from advances made on eligible inventory within conditions contained within the Rider. The balance cap percentage shall be 25% after 120 days from date of the Rider. Eligible inventory will be valued at the lower of cost or market value.

On August 26, 2013, we terminated our agreement with FWC due to the level of the advance fees. Pursuant to the ARPA, the agreement will terminate 90 days after the date of our termination agreement. fee. As of December 31, 2013 the balance due to FWC was $0 and no further obligation exist to FWC.

Series D Preferred Stock Offering

On August 7, 2013, we held our initial closing of our Series D Preferred Stock private financing offering with two related parties, whereby we received $750,000 in financing, $500,000 of which was received in a first tranche on June 17, 2013. Our Series D Preferred Stock offering terms allow us to raise up to $1,000,000 US with an over-allotment of $500,000 in multiple closings over the course of 6 months. During the initial close Luxus Micro Cap S.A. purchased 5,000 shares of our Series D Preferred Stock for $500,000 and RDK Enterprises, LLC, an entity affiliated with our board of directors member Robert Young, purchased 2,500 Series D Preferred Stock for $250,000.

The following are primary terms of the Series D Preferred Stock Offering. The Series D Preferred holders will be paid a special monthly dividend at the rate of 17.5% per annum or at the option of the Investor such special may accrue such special dividends. If the Company does not pay the special dividend within five (5) business days from the end of the calendar month for which the payment of such dividend to owed, the Company will pay the investor a penalty of 3.5%. Any unpaid or accrued special dividends will be paid upon a liquidation or redemption. For any other dividends or distributions, participation with common stock on an as-converted basis. The Series D Preferred holders may elect to convert the Series D Preferred Stock, in his sole discretion, at any time after a one year (1) year holding period, by sending the Company a notice to convert. The conversion rate shall be equal to the greater of $0.08 or a 20% discount to the average of the three (3) lowest closing market prices of the common stock during the ten (10) trading day

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period prior to conversion. The Series D Preferred shall be redeemable from funds legally available for distribution at the option of the individual holders of the Series D Preferred commencing any time after the one (1) year period from the Closing (the "Redemption Period") at a price equal to the Purchase Price plus all accrued but unpaid dividends. If Company is not in a financial position to pay it back the company needs to notify the Investors thirty (30) days prior the Redemption Period commencing and both parties will negotiate in good faith for an extension of the Redemption Period. Notwithstanding, the Company may elect to redeem the Series D Preferred shares any time after the Closing at a price equal to Purchase Price plus all accrued but unpaid dividends subject to the Investors right to convert by providing the Investors written notice about its intent to redeem whereby the Investor shall have the right to convert per the terms of the conversion terms at least ten (10) days prior to such redemption by the Company.

Capital Requirements for long-term Obligations

	2014	2013
Notes - Payable	$0	$0
Total	$0	$0

Off-balance Sheet Arrangement

We currently have no off-balance sheet arrangements.

Item 3.Quantitative and Qualitative Disclosure about Market Risk.

Not applicable to smaller reporting companies.

Item 4.Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms and that such information is accumulated and communicated to us, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation as of March 31, 2014 was conducted under the supervision and with the participation of our chief executive officer and our chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of March 31, 2014, were effective.

(b) *Changes in internal control over financial reporting.* There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

None.

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Item 1A.Risk Factors.

There are no material changes from the risk factors previously disclosed in our 2012 Annual Report on Form 10-K, as filed with the United States Securities and Exchange Commission on April 1, 2013, except as disclosed below.

RISKS ABOUT OUR BUSINESS

If we cannot obtain additional financing and/or reduce our operating costs sufficiently, and the effect of other unknown adverse factors could threaten our existence as a going concern. Therefore, we may have to curtail operations and may ultimately cease to exist.

The financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the normal course of business. The Company had a total stockholder's equity of $659,851 and a working capital surplus of $18,253; however, we still had net loss of $(69,041) for the three months ended March 31, 2014 and an accumulated deficit of $(1,355,948) as of March 31, 2014. Therefore, the ability of the Company to operate as a going concern is still dependent upon its ability to: (1) obtain sufficient debt and/or equity capital; and/or (2) generate positive cash flow from operations.

We have an accumulated deficit and may incur additional losses; therefore we may not be able to obtain the additional financing needed for working capital, capital expenditures and to meet our debt service obligations.

As of March 31,2014, we had current liabilities of $1,201,938. As a result, our debt could limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, or other purposes in the future, as needed; to plan for, or react to, changes in technology and in our business and competition; and to react in the event of an economic downturn.

Furthermore, On August 7, 2013, we held our initial closing of our Series D Preferred Stock private financing offering with two related parties, whereby we received $750,000 in financing, $500,000 of which was received in a first tranche on June 17, 2013. Our Series D Preferred Stock offering terms allow us to raise up to $1,000,000 US with an over-allotment of $500,000 in multiple closings over the course of 6 months. The Series D Preferred holders will be paid a special monthly dividend at the rate of 17.5% per annum or at the option of the Investor such special may accrue such special dividends. If the Company does not pay the special dividend within five (5) business days from the end of the calendar month for which the payment of such dividend is owed, the Company will pay the investor a penalty of 3.5%.

We may not be able to meet our debt service obligations. If we are unable to generate sufficient cash flow or obtain funds for required payments, or if we fail to comply with covenants in our revolving lines of credit or dividend payments to our Series D Preferred stockholder we will be in default which will have a material adverse impact on our business and working capital.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. [Removed and Reserved.]

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Item 5. Other Information

None.

Item 6. Exhibits

The exhibit listed on the Exhibit Index (following the signatures section of this Quarterly Report on Form 10-Q are included, or incorporated by reference, in this Quarterly Report on Form 10-Q.

EXHIBIT
NUMBER **DESCRIPTION**

3.1 Articles of Incorporation (included as exhibit 3.1 to the Form SB-2/A filed on June 10, 2005 and incorporated herein by reference).

3.2 Bylaws (included as exhibit 3.2 to the Form SB-2/A filed on June 10, 2005 and incorporated herein by reference).

14.1 Code of Ethics (included as exhibit 14.1 to the Form 10-KSB on April 5, 2007 and incorporated herein by reference).

21.1* List of Subsidiaries

31.1* Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1** Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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101.INS** XBRL Instance Document

101.SCH** XBRL Taxonomy Extension Schema Document

101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB** XBRL Taxonomy Extension Label Linkbase Document

101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF** XBRL Taxonomy Extension Definition Linkbase Document

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* Filed herewith
** Furnished herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Kambiz Mahdi Kambiz Mahdi	Chief Executive Officer	May 15, 2014
/s/ John Bennett John Bennett	Chief Financial Officer	May 15, 2014

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EXHIBIT INDEX

Pursuant to Item 601(a)(2) of Regulation S-K, this Exhibit Index immediately precedes the exhibits.

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the period ended March 3, 2014(are numbered in accordance with Item 601 of Regulation S-K).

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NUMBERDESCRIPTION

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