

PROBE MANUFACTURING INC

FORM 10-Q (Quarterly Report)

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Sector	Technology
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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, 2016**

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**

CLEAN ENERGY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or
organization)

20-2675800

(I.R.S. Employer Identification No.)

**150 E. Baker Street, Costa Mesa, CA
92626**

(Address of principal executive offices)

(949) 273-4990

(Registrant's telephone number, including area code)

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)

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 17, 2016, there were 139,846,765 shares of the Registrant's \$0.001 par value common stock issued and outstanding.

CLEAN ENERGY TECHNOLOGIES, INC.
(A Nevada Corporation)

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Special Note Regarding Forward-Looking Statements

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“ Securities Act ”), and Section 21E of the Securities Exchange Act of 1934, as amended (“ Exchange Act ”). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Clean Energy Technologies, Inc. (the “ Company ”), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words “ may, ” “ will, ” “ should, ” “ expect, ” “ anticipate, ” “ estimate, ” “ believe, ” “ intend, ” or “ project ” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

** Please note that throughout this Quarterly Report, and Except as otherwise indicated by the context, references in this report to “ Company ”, “ CETY, ” PMFI, ” “ Probe, ” “ we, ” “ us, ” and “ our ” are references to **Clean Energy Technologies, Inc.**, (f/k/a Probe Manufacturing Inc.) All references to “ USD ” or United States Dollars refer to the legal currency of the United States of America.*

Part I – Financial Information

Item 1. Consolidated Financial Statements

Clean Energy Technologies, Inc.

As of and for the three months ended March 31, 2016
(Unaudited)

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Clean Energy Technologies, Inc.			
(formerly Probe Manufacturing, Inc.)			
Consolidated Balance Sheet			
(unaudited)			
	March 31,		December 31,
	2016		2015
Assets			
Current Assets:			
Cash	\$	1,040	\$ 4,196
Accounts receivable - net		1,115,398	474,699
Inventory		1,077,181	1,207,409
Total Current Assets		2,193,619	1,686,304
Property and Equipment - Net		234,606	215,755
Goodwill		747,976	747,976
License		354,322	354,322
Patents		183,831	186,813
Other Assets		57,690	57,708
Total Assets	\$	3,772,044	\$ 3,248,878

Liabilities And Stockholders' (Deficit)**Current Liabilities:**

Bank Overdraft	\$	32,354	\$	-
Accounts payable - trade		708,040		609,407
Accrued Expenses		1,371,384		1,412,742
Accrued Expenses Related party		95,938		143,038
Warranty Liability		241,612		241,612
Notes Payable - Current		1,721,139		1,291,922
Total Current Liabilities		4,170,467		3,698,721

Long-Term Debt:

Notes Payable		750,000		800,000
Net Long-Term Debt		750,000		800,000
Total Liabilities		4,920,467		4,498,721

Commitments and Contingencies	\$	-	\$	-
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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; 139,846,765 and 139,446,765 shares issued and outstanding respectively		139,848		139,448
Additional paid-in capital		2,752,079		2,736,480
Treasury Stock		(633)		(633)
Accumulated deficit		(4,789,717)		(4,875,138)
Total Stockholders ' (Deficit)		(1,148,423)		(1,249,843)
Total Liabilities and Stockholders' Deficit	\$	3,772,044	\$	3,248,878

The accompanying footnotes are an integral part of these financial statements

Clean Energy Technologies, Inc.		
(formerly Probe Manufacturing, Inc.)		
Consolidated Statement of Operations		
For the three months ended March 31,		
(Unaudited)		
Three months ended		
	2016	2015
Sales	\$ 1,229,546	\$ 796,290
Cost of Goods Sold	508,350	514,082
Gross Profit	721,196	282,208
General and Administrative	156,213	45,146
Salaries	246,319	164,081
Facility lease	67,027	79,200
Share Based Expense	16,000	7,200
Total Expenses	485,559	295,627
Net Profit / (Loss) From Operations	235,637	(13,419)
Interest Expense	(150,216)	(87,322)
Net Profit / (Loss) Before Income Taxes	85,421	(100,741)
Provision for Income Tax	-	-
Net Profit / (Loss)	\$ 85,421	\$ (100,741)
Per Share Information:		
Basic weighted average number of common shares outstanding	139,446,765	31,577,445
Net Profit / (Loss) per common share basic	\$ 0.00	\$ (0.00)
Per Share Information:		
Diluted weighted average number of common shares outstanding	140,571,887	31,577,445
Net Profit / (Loss) per common share diluted	\$ 0.00	\$ (0.00)

The accompanying footnotes are an integral part of these financial statements

Clean Energy Technologies, Inc.		
(formerly Probe Manufacturing, Inc.)		
Consolidated Statements of Cash Flows		
for the three months ended March 31,		
(Unaudited)		
	2016	2015
Cash Flows from Operating Activities:		
Net Income / (Loss)	\$ 85,421	\$ (100,741)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	14,557	9,948
Share based compensation	16,000	7,200
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(640,699)	(126,259)
(Increase) decrease in inventory	130,228	62,950
(Increase) decrease in other assets	18	(20,136)
(Decrease) increase in accounts payable	98,633	(48,073)
Other (Decrease) increase in accrued expenses	11,541	16,204
Net Cash provided / (Used) In Operating Activities	(284,301)	(198,907)

Cash Flows from Investing Activities

Purchase property plant and equipment	(30,426)	-
Cash Flows Used In Investing Activities	(30,426)	-

Cash Flows from Financing Activities

Bank Overdraft / (Repayment)	32,354	(4,346)
(Decrease) increase in advances line of credit	-	146,306
Proceeds from sale of common stock	-	46,000
Proceeds from notes payable	279,217	-
(Payments) on notes payable	-	(11,102)
Cash Flows Provided / (used) By Financing Activities	311,571	176,858

Net (Decrease) Increase in Cash and Cash Equivalents	(3,156)	(22,049)
Cash and Cash Equivalents at Beginning of Period	4,196	27,241
Cash and Cash Equivalents at End of Period	\$ 1,040	\$ 5,192

Supplemental Information:

Interest Paid	\$ 132,573	\$ 42,071
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The accompanying footnotes are an integral part of these financial statements

Clean Energy Technologies, Inc.
(f/k/a Probe Manufacturing, Inc.)
Notes to Consolidated Financial Statements (Unaudited)

Notes 1- GENERAL

The Company

Clean Energy Technologies, Inc. (f/k/a Probe Manufacturing, Inc.) (the “ Company, ” “ Clean Energy, ” or “ CETY ”) headquartered in Costa Mesa, California , designs, builds and markets clean energy products focused on energy efficiency and environmentally sustainable technologies. The Company ’ s principal product is the Clean Cycle TM generator, offered by its wholly owned subsidiary Heat Recovery Solutions. The Heat Recovery Solutions system captures waste heat from a variety of sources and turns it into electricity that users can use or sell back to the grid. CETY ’ s proven cutting-edge technology allows any commercial or industrial heat generators to boost their overall energy efficiency with no fuel, no pollutants and virtually no maintenance. Company ’ s engineering and manufacturing resources support its heat recovery solutions business, as well as continuing to support other Clean Energy emerging growth companies with their technologies. CETY is positioned to become a worldwide leader in ever expanding energy efficiency market.

Our growth strategy is to scale our business by focusing on new market segments & regions in the fuel, incentive and process markets, sell equipment direct and through the global distribution channels, build and lease systems sites in island nations to offset the cost of their diesel fuel & emissions, license patented technology and proprietary process, develop cogeneration and OEM opportunities and develop higher output generators while lowering cost.

Our initial acquisition in clean energy is the proprietary turbine technology for Organic Rankine Cycle (“ ORC ”)-based heat recovery power systems, which matches our manufacturing and engineering strengths. Our engineering and manufacturing services also provide a source of revenue and assist in providing opportunities for potential business and intellectual property acquisitions.

On September 11, 2015, Clean Energy HRS LLC (“ CE HRS ”), a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement with General Electric International, Inc., a Delaware corporation (“ GEII ”), pursuant to which CE HRS acquired GEII ’ s Heat Recovery Solutions, or HRS, assets, including intellectual property, patents, trademarks, machinery, equipment, tooling and fixtures. The HRS assets will be used by the Company to manufacture and commercialize Organic Rankine Cycle (“ ORC ”)-based heat recovery power systems. The ORC system comprised GEII ’ s proprietary Clean Cycle TM turbine generator system and integrated power module, together with related components, controls, power electronics, software and equipment. The Company co-located and integrate the HRS assets with the Company ’ s existing engineering and manufacturing business at the former GEII facility in Costa Mesa, California. The consideration for the purchase of the HRS assets was set forth in the Asset Purchase Agreement, which was filed as Exhibit 10.1 to the Company ’ s Current Report on Form 8K dated September 11, 2015. CE HRS issued a three-year promissory note to GEII with respect to payment of the cash portion of the purchase price and CE HRS assumed certain liabilities of GEII related to the acquired assets. In connection with the Asset Purchase Agreement, the Company also entered into various ancillary agreements customary for asset acquisition transactions of this type.

In connection with the HRS asset transaction, on September 15, 2015, the Company entered into a Transaction Completion and Financing Agreement (the “ TCF Agreement ”) with ETI Partners IV LLC, a Delaware limited liability company (“ ETI ”), pursuant to which the Company and ETI implemented a structure to provide for the Company to raise up to \$5,000,000 in financing. In connection with the TCF Agreement, the Company agreed to issue to ETI 100,910,321 shares of restricted common stock, representing 70% of the fully diluted common stock of the Company upon receipt of an initial \$500,000 in financing, which occurred subsequent to the quarter ending December 31, 2015. In conjunction with the TCF Agreement, the Company and ETI also entered into a Loan, Guarantee, and Collateral Agreement (the “ Loan Agreement ”) and a Registration Rights Agreement. Financing to the Company is intended to be provided

pursuant to the Loan Agreement and any shares issued or issuable in connection with the financing are granted certain demand registration rights pursuant to the Registration Rights Agreement. Pursuant to the TCF Agreement, the Company expanded its Board of Directors to 11 directors, and ETI nominated and elected five persons to the Board of Directors. In connection with the TCF Agreement, the Company also entered into various ancillary agreements customary for investment loan transactions of this type.

As part of completing the acquisition of the HRS assets pursuant to the Asset Purchase Agreement and the TCF Agreement and integration thereof into our business, we changed our name to “ Clean Energy Technologies, Inc. ” on November 13, 2015 to better reflect the focus of our new business and business strategies.

Previously, in March 2013, pursuant to an Agreement and Plan of Acquisition with Trident Manufacturing, Inc., a Utah corporation (“ Trident ”) and the shareholders of Trident, we acquired 100% of the issued and outstanding common stock shares of Trident in exchange for 1,600,000 shares of our restricted shares of common stock. As a result of the acquisition, Trident became a wholly-owned subsidiary of the Company.

Trident is a full-service electronics manufacturing services company with a 16,000 sq. ft. manufacturing facility in Salt Lake City, Utah, servicing the industrial, aerospace, military, instrumentation, and medical markets since 2005. As of the Trident acquisition, we recognized \$420,673 in goodwill. For the year ended December 31, 2015, we impaired the good will in the amount of \$420,673.

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 deficit of \$1,148,423 and a working capital deficit of \$1,976,848 as of March 31, 2016. The company also had an accumulated deficit of \$4,789,717 as of March 31, 2016 and used \$284,301 in net cash from operating activities for the three months ended March 31, 2016. Therefore, there is substantial doubt about the ability of the Company to continue as a going concern. There can be no assurance that the Company will achieve its goals and reach a profitable operating stand and is still dependent upon its ability (1) to obtain sufficient debt and/or equity capital and/or (2) to generate positive cash flow from operations.

Plan of Operation

Management is taking the following steps to sustain profitability and growth: (i) increase sales through existing global distribution channels and utilization of direct sales (ii) sell electricity by kWh to Island nations where the cost of energy is higher and it can offset the cost of their fuel and reduce emissions.(iii) leveraging core competencies to acquire technologies and entertain equity opportunities and (iv) license patented technology and proprietary process and develop cogeneration and OEM opportunities.

Our future success is likely dependent on our ability to sustain profitable growth and attain additional capital to support growth. 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 its business plans. 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.

Our Products and Services

Our main product, the Clean Cycle TM HRS system, converts heat from variety of heat sources into clean, affordable electricity. Our heat recovery solution system generates electricity from heat with zero fuel required, zero emissions produced, and low maintenance. The Clean Cycle TM HRS system is also re-deployable with continuous 24x7 operation.

Sales and Marketing

Our marketing approach is to position the Company, our products and our services under our new “ Clean Energy Technologies, Inc. ” and “ CETY ” identity and brand. We intend to market our Heat Recovery Solutions products specifically using the market-recognized Clean Cycle™ brand name. We also intend to utilize our relationships to identify new market segments and regions in which we can expand the commercialization of our products. We intend to offer our products for sale and also to commercialize them under leases, energy-based contracts and other financing structures to accelerate customer adoption and increase market penetration. We also intend to explore licensing opportunities for our patented and other proprietary technologies. We utilize both direct sales force and global distributors with expertise in clean energy.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of Clean Energy Technologies, Inc. (formerly Probe Manufacturing, Inc.) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

The Company follows the accounting guidance outlined in the Financial Accounting Standards Board Codification guidelines. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted principles for interim financial information and with the instructions to Form 10Q. They may not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended December 31, 2015 included in the Company ' s Annual Report on Form 10-K filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10K. In the opinion of Management, all adjustments considered necessary for a fair presentation, which unless otherwise disclosed herein, consisting primarily of normal recurring adjustments, have been made. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

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.

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 December 31, 2015 and March 31, 2016, we had a reserve for potentially uncollectable accounts of \$7,000. Five (5) customers accounted for approximately 81% of accounts receivable at March 31, 2016 and one customer accounted for 55% and no other customer accounted for more than 14% 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.

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, 2016 and December 31, 2015, we had a reserve for potentially obsolete inventory of \$250,000.

Property and Equipment

Property and equipment are recorded 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

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.

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.

Net Profit (Loss) per Common Share

Basic profit / (loss) per share is computed on the basis of the weighted average number of common shares outstanding. At March 31, 2016, we had outstanding common shares of 139,446,765 used in the calculation of basic earnings per share. Basic Weighted average common shares and equivalents at March 31, 2016 and 2015 were 139,446,765 and 31,577,445 respectively. As of December 31, 2015, we had outstanding warrants to purchase 1,050,000 additional common shares and options to purchase 75,122 additional common shares. Fully diluted weighted average common shares and equivalents as of March 31, 2016 were 140,571,887 and were withheld from the calculation for the same period in 2015, as they were considered anti-dilutive.

Research and Development

Research and development costs incurred in association with the alternative fuels technology development (which include salaries and equipment) were expensed as incurred. We had no amounts of research and development R&D during the three months ended March 31, 2016 and 2015.

Segment Disclosure

FASB Codification Topic 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. The Company has two reportable segments: Clean Energy HRS (HRS) and the legacy electronic assembly division. The segments are determined based on several factors, including the nature of products and services, the nature of production processes, customer base, delivery channels and similar economic characteristics. Refer to note 1 for a description of the various product categories manufactured under each of these segments. Prior to the three months ended March 31, 2016 we only had one reporting segment.

An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net sales less cost of sales, and segment selling, general and administrative expenses, and does not include amortization of intangibles, stock-based compensation, other charges (income), net and interest and other, net.

Selected Financial Data:

	Three months ended	
	March 31, 2016	
Net Sales		
Electronics Assembly	\$	417,463
Clean Energy HRS		812,083
Total Sales		<u>1,229,546</u>
Segment income and reconciliation before tax		
Electronics Assembly		56,026
Clean Energy HRS		665,170
Total Segment income		<u>721,196</u>
Reconciling items		
General And Administrative		469,559
Share Based Expense		16,000
Interest		150,216
Income before income tax	\$	<u>85,421</u>
		March 31, 2016
Total Assets		
Electronics Assembly	\$	1,133,582
Clean Energy HRS		2,638,462
	\$	<u>3,772,044</u>

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*), 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 SFAS No. 123R; 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, 2016 and 2015 we had \$16,000 and \$7,200 respectively, in share based expense, due to the issuance of common stock. As of December 31, 2015 we had no further non-vested expense to be recognized.

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, 2016, we had a net operating loss carry-forward of approximately \$(4,789,717) and a deferred tax asset of approximately \$1,645,872 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 \$(1,645,872). FASB ASC 740 prescribes recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At March 31, 2016 the Company had not taken any tax positions that would require disclosure under FASB ASC 740.

	March 31, 2016	December 31, 2015
Deferred Tax Asset	\$ 1,645,872	\$ 1,731,293
Valuation Allowance	(1,645,872)	(1,731,293)
Deferred Tax Asset (Net)	\$ -	\$ -

We are subject to taxation in the U.S. and the states of California and Utah. Further, the Company currently has no open tax years ' subject to audit prior to December 31, 2011. The Company is current on its federal and state tax returns.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported income, total assets, or stockholders ' equity as previously reported.

Business Combination and Goodwill

On March 20, 2013, we completed the acquisition of Trident whereby we acquired 100% of the issued and outstanding common stock shares of Trident 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 the Company. As a result, we recognized \$420,673 in goodwill. On January 2, 2016 we closed the Trident facility in Utah and as for the year ended December 31, 2015 we booked an impairment of the Goodwill in the amount of \$420,673.

Recently Issued Accounting Standards

The Company is reviewing the effects of following recent updates. The Company has no expectation that any of these items will have a material effect upon the financial statements.

- Update 2016-12 — Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients
- Update 2016-10 — Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing
- Update 2016-09 — Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting
- Update 2016-08 — Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)
- Update 2016-07 — Investments — Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting
- Update 2016-03 — Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a consensus of the Private Company Council)
- Update 2015-16 — Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments
- Update 2015-15 — Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)
-

- Update 2015-14 — Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date
- Update 2015-11 — Inventory (Topic 330): Simplifying the Measurement of Inventory
 - Update 2015-08 — Business Combinations (Topic 805): Pushdown Accounting — Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115 (SEC Update)
 - Update No. 2015-03 — Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs
 - Update No. 2015-02 — Consolidation (Topic 810): Amendments to the Consolidation Analysis.

NOTE 3 – ACCOUNTS AND NOTES RECEIVABLE

	March 31, 2016	December 31, 2015
Accounts Receivable Trade	\$ 1,122,398	\$ 481,699
Less Reserve for uncollectable accounts	(7,000)	(7,000)
Accounts Receivable (Net)	<u>\$ 1,115,398</u>	<u>\$ 474,699</u>

NOTE 4 – ASSET ACQUISITION

On September 11, 2015, we issued a promissory note in the initial principal amount of \$1,400,000 and assumed a pension liability of \$100,000, for a total liability of \$1,500,000, in connection with the Company's acquisition from General Electric International, Inc., a Delaware corporation (" GEII ") of certain GEII's heat recovery solutions, or HRS, assets, including intellectual property, patents, trademarks, machinery, equipment, tooling and fixtures.

Acquired Assets	
Inventory	\$ 848,029
Leased asset	217,584
Property and Equipment	130,887
Intellectual Property	545,112
Assumed warranty Liability	(241,612)
Net Assets Acquired	\$ 1,500,000

NOTE 5 – INVENTORY

Inventories by major classification were comprised of the following at:

	March 31, 2016	December 31, 2015
Raw Material	\$ 1,192,008	\$ 1,311,069
Work in Process	131,952	143,119
Finished Goods	3,221	3,221
Total	1,327,181	1,457,409
Less reserve for excess or obsolete inventory	(250,000)	(250,000)
Total Inventory	\$ 1,077,181	\$ 1,207,409

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at:

	March 31, 2016	December 31, 2015
Capital Equipment	\$ 1,872,863	\$ 1,842,333
Accumulated Depreciation	(1,638,257)	(1,626,574)
Net Fixed Assets	\$ 234,606	\$ 215,759

NOTE 7 – ACCRUED EXPENSES

	March 31, 2016	December 31, 2015
Accrued Wages	\$383,293	\$339,329
Accrued Interest	101,133	27,592
Customer Deposit	23,900	204,763
Accrued Payable to GE - Estimate	792,868	792,868
Accrued Rent	70,190	48,190
Total Accrued Expenses	<u>\$1,371,384</u>	<u>\$1,412,742</u>

NOTE 8 – NOTES PAYABLE**Notes payable**

The Company issued a short-term note payable to an individual, secured by the assets of the Company, dated September 6, 2013 in the amount of \$50,000 and fixed fee amount of \$3,500. As of March 31, 2016 the outstanding balance was \$38,500 .

On November 11, 2013, we entered in to an accounts receivable financing agreement with American Interbanc (now Nations Interbanc). Amounts outstanding under the agreement bear interest at the rate of 2.5% per month. It is secured by the assets of the Company. In addition, it is personally guaranteed by Kambiz Mahdi, our Chief Executive Officer. As of March 31, 2016, the outstanding balance was \$1,134,640 compared to \$786,227 at December 31, 2015.

On November 3, 2009, the Company issued an unsecured note payable to Linwood Goddard at a 12.00% interest rate, with a 36-month amortization and monthly payments of \$334.14. At March 31, 2016, the outstanding balance was \$4,332.

On December 24, 2009, the Company issued an unsecured note payable to Linwood Goddard at a 12.00% interest rate, with a 36-month amortization and monthly payments of \$334.14. At March 31, 2016, the outstanding balance was \$4,332.

On August 28, 2014, we issued an unsecured note for \$100,000 with a fixed fee of \$20,000, amortized over 7 months. On December 22, 2014, the outstanding balance of this note including remaining fees was \$58,441, when the outstanding balance was rolled into a new note in the initial principal amount of \$150,000, with fees in the amount of \$28,500. The new note amortizes over 18 months. The outstanding balance at March 31, 2016 was \$24,398

On September 11, 2015, our CE HRS subsidiary issued a promissory note in the initial principal amount \$1,400,000 and assumed a pension liability of \$100,000, for a total liability of \$1,500,000, in connection with our acquisition of the heat recovery solutions, or HRS, assets of General Electric International, Inc., a Delaware corporation (" GEII "), including intellectual property, patents, trademarks, machinery, equipment, tooling and fixtures. The note bears interest at the rate of 2.66% per annum. The note is payable on the following schedule: (a) \$200,000 in principal on September 30, 2015 and (b) thereafter, the remaining principal amount of \$1,200,000, together with interest thereon, payable in equal quarterly installments of principal and interest of \$157,609.02, commencing on December 31, 2016 and continuing until June 30, 2018, at which time the remaining unpaid principal amount of this note and all accrued and unpaid interest thereon shall be due and payable in full.

On March 11, 2016, we entered into a 3-year convertible note payable for \$75,000, which accrues interest at the rate of 1.46% per annum. It is not convertible for 6 months and has a conversion rate of sixty five percent (65%) of the lowest closing bid price (as reported by Bloomberg LP) of Common Stock for the twenty (20) Trading Days immediately preceding the date of the date of conversion.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Operating Rental Leases

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

Year	Annual Rent
2016	81,216
2017	13,536

In April 2015, Trident entered into a sublease agreement with Lucky Spoon, LLC. The term of the sublease commenced on April 1, 2015 and expires on the last day of Trident ’ s lease.

On August 27,2015, we entered into a sublease agreement with Rosenson Properties, LLC, a California limited liability company, as landlord, and General Electric International, Inc., a Delaware corporation, as tenant and assignor, for the premises located at 150 Baker Street East, Costa Mesa, California. GEII had entered into a lease dated as of December 17, 2010, as amended by a First Amendment to Lease dated March 11, 2014, wherein Rosenson Properties leased the premises to GEII. The premises consist of approximately 35,704 square feet of space and the lease provides for monthly triple-net lease payments of \$22, 973. The lease term ends on March 31, 2016.

Year	Annual Rent
2016	54,098

On May 1, 2016 we will be moving our corporate headquarters to 2990 Redhill Unit A, Costa Mesa, CA. On March 10, 2016, the Company signed a lease agreement for a 18,200 square foot CTU Industrial Building. Lease term is seven years and two months beginning July 1, 2016. Rental is \$179,090 for the first twelve months.

Year	Lease Payment
2016	\$179,090
2017	\$221,352
2018	\$228,000
2019	\$234,840
2020	\$241,884
2021	\$249,132
2022	\$256,608
2023	\$44,052

Severance Benefits

Effective at March 31, 2016 Mr. Mahdi was entitled to receive in the event of his termination without cause a severance benefit consisting of a single lump sum cash payment equal the salary that Mr. Mahdi would have been entitled to receive period of (1) year, at an annual salary of \$275,000.

Effective at March 31, 2016, Mr. Bennett was entitled to receive in the event of his termination without cause a severance benefit consisting of a single lump sum cash payment equal the salary that Mr. Bennett would have been entitled to receive through the remainder of his employment period or two (2) years, whichever is greater, at an annual salary of \$140,000.

NOTE 10 – CAPITAL STOCK TRANSACTIONS

On April 21, 2005, our Board of Directors and shareholders approved the re-domicile of the Company in the State of Nevada, in connection with which we increased the number of our authorized common shares to 200,000,000 and designated a par value of \$.001 per share.

On May 25, 2006, our Board of Directors and shareholders approved an amendment to our Articles of Incorporation to authorize a new series of preferred stock, designated as Series C, and consisting of 15,000 authorized 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 promulgated under the Securities Exchange Act of 1934, as amended.

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 in compliance with applicable securities laws. 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 believed market conditions at the time of the plan ' s adoption or thereafter may cause the Company ' s common stock to be undervalued and repurchases of Company common stock to be in the best interests of the Company and its stockholders. 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, 2016, we had repurchased an aggregate total of 11,500 shares of our common stock under the plan.

Common Stock Transactions

Beginning with the year 2015, 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(a) (2) of the Securities Act.

On February 2, 2015, we issued 40,000 shares of common stock for services at \$.08

On February 24, 2015, we issued 1,845,000 shares of common stock for cash in the amount of \$116,698, of which \$70,699 was received in 2014 and the balance included in " to be issued. "

On March 6, 2015, we issued 450,000 shares of common stock for services to related parties at \$.05 per share, which was accrued for in 2014.

On March 6, 2015, we issued 50,000 shares of common stock for services at \$.05 per share.

On April 1, 2015 we issued 25,000 shares of common stock for consulting services at \$.05 per share.

On September 11, 2015, we issued 1,300,000 shares of common stock for compensation at \$.05 per share.

On March 11, 2016 we issued 400,000 shares of our common stock @ \$.05 for financing fees.

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, 2016 there were 34,386,444 and shares of common stock outstanding. 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 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.

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 to authorize 15,000 shares Series C Convertible Preferred Stock.

As of August 20, 2006, all series A, B, and C preferred had 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.

Effective August 7, 2013, our Board of Directors designated a series of our preferred stock as Series D Preferred Stock, authorizing 15,000 shares. We have received an aggregate of \$750,000 in financing in subscription for Series D Preferred Stock. Our Series D Preferred Stock offering terms authorized us to raise up to \$1,000,000 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 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%. Any unpaid or accrued special dividends will be paid upon a liquidation or redemption. For any other dividends or distributions, the Series D Preferred Stock participates

with common stock on an as-converted basis. The Series D Preferred holders may elect to convert the Series D Preferred Stock, in their 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 Stock shall be redeemable from funds legally available for distribution at the option of the individual holders of the Series D Preferred Stock commencing any time after the one (1) year period from the offering closing at a price equal to the initial 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. The Company may elect to redeem the Series D Preferred Stock any time after the offering closing at a price equal to initial purchase price plus all accrued but unpaid dividends subject to the investors' right to convert by providing written notice about its intent to redeem. Each investor has the right to convert the Series D Preferred Stock at least ten (10) days prior to such redemption by the Company.

On June 25, 2013, we received \$500,000 from a related party in subscription for 5,000 shares of Preferred Series D Preferred Stock. These shares have not been issued as of the date of this filing. On August 21, 2014, the related party agreed to lower the dividend rate to 13% and extend the term on the redemption period for these shares for an additional one year. On September 8, 2015 the investors signed an estoppel agreement, whereby the investors agreed to reduce, (effective as of June 30, 2015), the dividend rate on the Series D Preferred Stock to six percent per annum and to terminate the penalty provided for in the IAs in respect of unpaid dividends accruing on or after such date.

On connection with the subscription for such shares, 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 one share of common stock.

On September 19, 2013, we received \$250,000 from a related party in subscription for 2,500 shares of Series D Preferred Stock. These shares have not been issued as of the date of this filing. On September 8, 2015 the investors signed an estoppel agreement, whereby the investors agreed to reduce, (effective as of June 30, 2015), the dividend rate on the Series D Preferred Stock to six percent per annum and to terminate the penalty provided for in the IAs in respect of unpaid dividends accruing on or after such date.

In connection with the subscription for such shares, 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 E – Common Stock warrants

On April 8, 2011, we issued 300,000 series E Warrants. Each warrant gives the holder the right to purchase one 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 25, 2013, we issued 250,000 series F warrants. Each warrant gives the holder the right to purchase one share of common stock at \$.10.

On September 19, 2013, we issued 125,000 series F warrants. Each warrant gives the holder the right to purchase one share of common stock at \$.10.

Series G – Common Stock warrants

On June 25, 2013, we issued 250,000 series G warrants. Each warrant gives the holder the right to purchase one share of common stock at \$.20.

On September 19, 2013, we issued 125,000 series G warrants. Each warrant gives the holder the right to purchase one share of common stock at \$.20.

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, 2015	1,050,000	0.25	1,050,000	0.25
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding March 31, 2016	1,050,000	0.25	1,050,000	0.25

Range of Warrant Exercise Price	Warrants Outstanding			Warrants Exercisable	
	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	.27	300,000	\$ 0.50
\$ 0.10	250,000	\$ 0.10	2.25	250,000	\$ 0.10
\$ 0.20	250,000	\$ 0.20	2.25	250,000	\$ 0.20
\$ 0.10	125,000	\$ 0.10	2.50	125,000	\$ 0.10
\$ 0.20	125,000	\$ 0.20	2.50	125,000	\$ 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, we granted to Company employees incentive stock options to purchase 406,638 shares of our common stock. These options were granted at \$1.73 cents, the fair market value of the Company's common stock at the time of the grant. These options expire on February 8, 2017. At March 31, 2016 there were 15,122 outstanding options under this plan.

On February 8, 2008, we granted stock options to our key employees to purchase up to 750,000 shares of our common stock. These options were granted at \$1.73 cents, the fair market value of the Company's common stock at the time of the grant. These options expire on February 8, 2017. As of March 31, 2016 the balance of the outstanding options under this plan is 30,000.

On February 28, 2008, we granted stock options to a key employee to purchase up to 30,000 shares of our common stock. These options were granted at \$.033 cents, the fair market value of the Company's common stock at the time of the grant. These options expire on February 8, 2017. As of March 31, 2016, the balance of the outstanding options under this plan was 30,000.

NOTE 11 – RELATED PARTY TRANSACTIONS

Kevin Scott, one of the Board of Directors members, owns SK Polymers. SK Polymers is a supplier to the Company. Our board of directors has approved the supply transactions between SK Polymers and the Company.

Kambiz Mahdi, our Chief Executive Officer, owns Billet Electronics, which is 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 the transactions between Billet Electronics and the Company.

On September 11, 2015, we issued 400,000 shares of common stock to John Bennett, our Chief Financial Officer, as additional compensation at \$.05 per share.

On September 11, 2015, we issued 150,000 shares of common stock for board of director compensation to Kam Mahdi our Chief Executive officer at \$.05 per share.

On September 11, 2015, we issued 150,000 shares of common stock for board of director compensation to Robert Young at \$.05 per share.

On September 11, 2015, we issued 150,000 shares of common stock for board of director compensation to Shervin Talieh at \$.05 per share.

On September 11, 2015, we issued 150,000 shares of common stock and accrued for 150,000 shares of common stock for board of director compensation to Kevin Scott at \$.05 per share.

On September 11, 2015, we issued 150,000 shares of common stock shares of common stock for board of director compensation to Juhani Taskinen at \$.05 per share.

On September 11, 2015, we issued 150,000 shares of common stock shares of common stock for board of director compensation to John Bennett our Chief Financial Officer at \$.05 per share.

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events and transactions occurring after the balance sheet date through the filing of this Quarterly Report on Form 10-Q and determined that no other subsequent events occurred.

**Item 2. Management ' s Discussion and Analysis of Financial Condition and Results of Operation
(unaudited)**

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains forward-looking statements that involve known and unknown risks, significant uncertainties and other factors 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 those forward-looking statements. You can identify forward-looking statements by the use of the words may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, intends, potential, proposed, or continue or the negative of those terms. These statements are only predictions. In evaluating these statements, you should consider various factors which may cause our actual results to differ materially from any forward-looking statements. Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

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 deficit of \$1,148,423 and a working capital deficit of \$1,976,848 as of March 31, 2016. The company also had an accumulated deficit of \$4,789,717 as of March 31, 2016 and used \$284,301 in net cash from operating activities for the three months ended March 31, 2016. Therefore, there is substantial doubt about the ability of the Company to continue as a going concern. There can be no assurance that the Company will achieve its goals and reach a profitable operating stand and is still dependent upon its ability (1) to obtain sufficient debt and/or equity capital and/or (2) to generate positive cash flow from operations.

Summary of Results for the three months Ended March 31, 2016 Compared to the three months ended March 31, 2015

For the three months ended March 31, 2016, we had a net profit of \$85,421 compared to a net loss of \$100,741 for the same period in 2015. The increase in the net profit in 2016 was mainly due to the acquisition of the Clean Cycle Heat Recovery System and the increase in Revenue. For the three months ended March 31, 2016, our cost of goods sold was 41% compared to 65% for the same period in 2015, mainly due to the decrease material cost as a percent of sales. For the three months ended March 31, 2016, our SG&A cost was 38% compared to 36% for the same period in 2015. For the three months ended March 31, 2016, we had a net profit from operations of \$235,637 compared to a net loss of (13,419) for the same period in 2015. Our total stockholder ' s equity increased by \$101,420, resulting in shareholder deficit of \$1,148,423 as of March 31, 2016. As of March 31, 2016, we had a working capital deficit of \$1,926,848 compared to working capital deficit of \$2,012,417 as of December 31, 2015.

	March 31, 2016,	
	2016	2015
Inventory Turns	1.89	4.32
Days Sales in Backlog	87	299
Days Receivables Outstanding	85	41
Days Payables Outstanding	127	88

Inventory turns : are calculated as the ratio of cost of material compared to the average inventory for the December 31, 2015. For the three months ended March 31, 2016 , our inventory turns were 1. 89 compared to 4. 32 for the same period in 201 5 .

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, 2016 , days sales in backlog was 87 days compared to 2 99 days for the same period in 201 5 .

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, 2016 , days receivables outstanding was 85 days compared to 41 days for the same period in 201 5 .

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, 2016 , days payable outstanding was 127 days compared to 88 days for the same period in 2015 .

Cash and Cash Equivalents

We maintain the majority of its 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.

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, 2016, we had a reserve for potentially un-collectable accounts of \$7,000. Five (5) customers accounted for approximately 94% of accounts receivable at March 31, 2016 and one customer accounted for 55% and no other customer accounted for more than 14% 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.

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 As of March 31, 2016, we had a reserve for potentially obsolete inventory of \$250,000.

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. We follow the practice of capitalizing property and equipment purchased over \$5,000. 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	2 years (life of the lease)

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.

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.

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.

Net Profit/(Loss) per Common Share

Basic profit / (loss) per share is computed on the basis of the weighted average number of common shares outstanding. At March 31, 2016, we had outstanding common shares of 139,446,765 used in the calculation of basic earnings per share. Basic Weighted average common shares and equivalents at March 31, 2016 and 2015 were 139,446,765 and 31,577,445 respectively. As of December 31, 2015, we had outstanding warrants to purchase 1,050,000 additional common shares and options to purchase 75,122 additional common shares. Fully diluted weighted average common shares and equivalents as of March 31, 2016 were 140,571,887 and were withheld from the calculation for the same period in 2015, as they were considered anti-dilutive.

Research and Development

We have curtailed all research and development and focusing our business on its core business of electronics contract manufacturing.

Research and Development Costs incurred in association with the alternative fuels technology development (which include salaries and equipment) were expensed as incurred. We had no expenses in Research and Development Costs during the three months ended March 31, 2016 and 2015.

Segment Information

See Notes 1 and 2 for a discussion on our segment information.

Share Based Compensation

For a discussion on share based compensation and recently issued accounting pronouncements relating to share based compensation, see Note 2, Basis of Presentation and Summary of Significant Accounting Policies, to our accompanying audited financial statements.

Income Taxes

For a discussion income taxes and recently issued accounting pronouncements relating to share based compensation, see Note 2, Basis of Presentation and Summary of Significant Accounting Policies, to our accompanying financial statements.

Results for the Three months ended March 31, 2016 Compared to the Year Ended March 31, 2015

The following table summarizes certain items in the statements of operations as a percentage of net sales. The financial information and discussion below should be read in conjunction with the accompanying financial statements and notes thereto.

Net Sales

For the three months ended March 31, 2016, our revenue was \$1,229,546 compared to \$796,290 for the same period in 2015. Our revenue increased by \$433,256 for the three months ended March 31, 2016, compared to the same period in 2015. Our revenue increase due to the increased sales from the Heat Recovery division of \$812,083.

Major Customers

Our top 5 customers accounted for approximately 81% of our net sales for the three months ended March 31, 2016, compared to 85%, for the same period in 2015. 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 they serve 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

For the three months ended March 31, 2016 , our gross profits increased to 58 from 34 % for the same period in 2015 . Our gross profits could vary from period to period and is affected by a number of factors, including product mix, production efficiencies, component availability and costs, pricing, competition, customer requirements and unanticipated restructuring or inventory charges and potential scrap of materials .

Selling, General and Administrative (SG&A) Expenses

For the three months ended March 31, 2016 , our SG&A expense was 38 % compared to 36 % for the same period in 2015 . The increase was mainly due to asset acquisition from General Electric.

Share Based Expense

For the three months ended March 31, 2016 , our share based expense was 1 % compared to 1 % for the same period in 2015 .

Net (Loss) from operations

For the three months ended March 31, 2016, our net profit from operations was 19% compared to net loss from operations of (27%) for the same period in 2015. This increase, was primarily due to the acquisition of the Clean Cycle heat recovery system during the year ended 2015.

Net Income (loss)

For the three months ended March 31, 2016, our net loss was (109%) compared to net loss of (35)% for the same period in 2015. This increase was primarily due to acquisition of the Clean Cycle heat recovery system during the year ended 2015.

Interest Expense

For the three months ended March 31, 2016 interest expense was \$353,476 compared to \$313,254 for the same period in 2015.

Liquidity and Capital Resources

Clean Energy Technologies, Inc.
(formerly Probe Manufacturing, Inc.)
Condensed Statements of Cash Flows
for the three months ended March 31,
(Unaudited)

	2016	2015
Net Cash provided / (Used) In Operating Activities	\$ (284,301)	\$ (198,907)
Cash Flows Used in Investing Activities	(30,426)	-
Cash Flows Provided / (used) By Financing Activities	311,571	176,858
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (3,156)	\$ (22,049)

Capital Requirements for long-term Obligations

	2016	2017	2018
Note payable General Electric	315,218	630,436	254,346

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Future Financing

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

Off-balance Sheet Arrangement

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management carried out an evaluation under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were not effective as of March 31, 2016, due to the material weaknesses resulting from no director qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K, and controls were not designed and in place to ensure that all disclosures required were originally addressed in our financial statements. Please refer to our Annual Report on Form 10-K as filed with the SEC on April 14, 2016, for a complete discussion relating to the foregoing evaluation of Disclosures and Procedures.

Changes in Internal Control over Financial Reporting

Our management has also evaluated our internal control over financial reporting, and have added four independent members to our Board of Directors, there have been no other significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of our last evaluation, .

The Company is not required by current SEC rules to include, and does not include, an auditor's attestation report. The Company's registered public accounting firm has not attested to Management's reports on the Company's internal control over financial reporting.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which our director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors.

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, Item 1A., " Risk Factors " in our Annual Report on Form 10-K, for the fiscal year ended December 31, 2015. The information set forth in these Reports could materially affect the Company ' s business, financial position and results of operations. There are no material changes from the risk factors set forth in Part I, Item 1A, " Risk Factors, " of our Annual Report on Forms 10-K for the fiscal year ended December 31, 2015.

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

On September 10, 2015, the Company issued 1,300,000 shares of its common stock to five individuals to settle \$92,000 in outstanding fees that were owed by the Company for services provided.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

On October 2, 2015, the Company issued 105,060,321 shares of its common stock to three corporations as per the terms of the Transaction Completion and Financing Agreement.

On March 11, 2016 we issued 400,000 shares of our common stock @ \$.05 for financing fees.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

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.

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
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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).
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3.2	Bylaws (included as exhibit 3.2 to the Form SB-2/A filed on June 10, 2005 and incorporated herein by reference).
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4.1	Registration Rights Agreement, by and between the Registrant and ETI Partners IV LLC, dated as of September 15, 2015. (included as exhibit 4.1 to our Current Report on Form 8-K filed on September 21, 2015 and incorporated herein by reference).
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10.1	Asset Purchase Agreement, by and between the Registrant and General Electric International, Inc., dated as of September 11, 2015. (included as exhibit 10.1 to our Current Report on Form 8-K filed on September 21, 2015 and incorporated herein by reference).
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10.2	Transaction Completion and Financing Agreement, by and between the Company and ETI Partners IV LLC, dated as of September 15, 2015. (included as exhibit 10.2 to our Current Report on Form 8-K filed on September 21, 2015 and incorporated herein by reference).
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10.3	Loan, Guarantee, and Collateral Agreement, by and between the Company and ETI Partners IV LLC, dated as of September 15, 2015. (included as exhibit 10.3 to our Current Report on Form 8-K filed on September 21, 2015 and incorporated herein by reference).
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14.1	Code of Ethics (included as exhibit 14.1 to the Form 10-KSB on April 5, 2007 and incorporated herein by reference).
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16.1	Letter dated April 21, 2015, from W.T. Uniack & Co. CPA 's P.C. to the Securities and Exchange Commission. (included as exhibit 16.1 to our Current Report on Form 8-K filed on April 30, 2015, and incorporated herein by reference).
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21.1*	List of Subsidiaries
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31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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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.

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.

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

* Filed herewith

** Furnished herewith

** Pursuant to Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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
<u>/s/ Kambiz Mahdi</u> Kambiz Mahdi	Chief Executive Officer	May 23, 2016
<u>/s/ John Bennett</u> John Bennett	Chief Financial Officer	May 23, 2016

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kambiz Mahdi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Probe Manufacturing, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 23, 2016

By: /s/ KAMBIZ MAHDI
Kambiz Mahdi,
Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, John Bennett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Probe Manufacturing, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 23, 2016

By: /s/ JOHN BENNETT
John Bennett,
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Probe Manufacturing, Inc. (the “ Company ”) hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2016 (the “ Report ”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 23, 2016
Date

By: /s/ Kambiz Mahdi
Kambiz Mahdi
Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Probe Manufacturing, Inc. (the “ Company ”) hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2016 (the “ Report ”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 23, 2016
Date

By: /s/ John Bennett
John Bennett
Chief Financial Officer