Consolidated Financial Statements and Report of Independent Certified Public Accountants

Green States Energy, Inc. and Subsidiaries

December 31, 2013 and 2012

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Green States Energy, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of **Green States Energy, Inc.** (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Green States Energy, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as of and for the year ended December 31, 2013 is presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Charlotte, North Carolina
April 15, 2014

Consolidated balance sheets

December 31	2013	2012
	$	$
Assets		
Current assets:		
Cash	1,106,154	358,749
Accounts receivable	521,392	335,163
Deferred tax asset	291,096	-
Prepaid expenses and other current assets	7,125	43,408
Grants receivable	2,083,824	-
Total current assets	4,009,591	737,320
Investment in energy property, net	53,318,723	27,232,268
Other assets:		
Intangible assets, net	3,595,075	2,337,233
Restricted cash	581,019	724,990
Deferred tax asset	-	42,916
Deferred costs, net	656,464	12,751
Total other assets	4,832,558	3,117,890
Total assets	62,160,872	31,087,478
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	1,958,612	1,828,067
Construction contract payable	9,895,001	-
Derivative liability	1,405,073	1,081,703
Deferred tax liability	-	42,916
Development service fees payable, current portion	144,000	144,000
Notes payable, short-term	10,533,068	-
Total current liabilities	23,935,754	3,096,686
Long term liabilities:		
Notes payable, long-term	13,175,516	8,428,136
Development service fees payable, net of current portion	1,853,360	1,957,062
Deferred tax liability	291,096	-
Asset retirement obligation	385,128	179,505
Deferred grant revenue	9,068,922	7,443,675
Total long-term liabilities	24,774,022	18,008,378
	48,709,776	21,105,064
Commitments and contingencies (Note 12)		
Stockholders' equity		
Preferred stock, par value $0.001, 40,000,000 shares authorized, 80,000 shares issued and outstanding	80	80
Common stock, par value $0.001, 100,000,000 shares authorized; 18,011,488 and 18,845,224 shares issued and outstanding in 2013 and 2012, respectively	18,011	18,844
Common stock held in treasury; 1,800,000 and 0 shares in 2013 and 2012, respectively	1,648,800	-
Additional paid-in capital	4,293,620	4,033,919
Accumulated deficit	(3,504,990)	(3,600,683)
Noncontrolling interest	10,995,575	9,530,254
Total equity	13,451,096	9,982,414
	62,160,872	31,087,478

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

Consolidated statements of operations

Year ended December 31	2013	2012
	$	$
Revenues		
Energy generation revenue	3,379,374	1,776,268
Deferred grant revenues	458,577	392,633
Total revenues	3,837,951	2,168,901
Operating expenses		
Selling, general and administrative expenses	2,082,947	2,476,947
Total operating expenses before undernoted items	2,082,947	2,476,947
Net operating income (loss) before undernoted items	1,755,004	(308,046)
Depreciation and amortization	(2,864,787)	(1,736,364)
Other income (expense)		
Bargain purchase gain	5,215,157	-
Registration penalty	-	(628,532)
Change in fair value of stock warrants	(323,370)	38,975
Interest expense, net	(1,966,007)	(1,394,355)
Unrecoverable project costs	-	15,646
Loss on sale of assets	(77,887)	-
Total other (expense) income	2,847,893	(1,968,266)
Net income (loss)	1,738,110	(4,012,676)
(Income) loss attributable to noncontrolling interest	(1,642,417)	1,455,158
Net income (loss) attributable to Green States Energy, Inc.	95,693	(2,557,518)

Statements of stockholders' equity

Description	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Accumulated Earnings/(Deficit)	Noncontrolling Interest	Total Stockholders' Equity
		$		$		$	$	$	$	$
Balance as of December 31, 2011	**80,000**	**80**	**15,132,332**	**15,132**	**-**	**-**	**1,892,278**	**(1,043,165)**	**10,528,487**	**11,392,812**
Common stock issuances, net of offering costs of $308,321	-	-	2,576,334	2,576	-	-	1,514,245	-	-	1,516,821
Issuance of common stock for registration penalty	-	-	1,136,558	1,136	-	-	627,396	-	-	628,532
Phase II GSE NC 1, LLC contribution	-	-	-	-	-	-	-	-	629,676	629,676
Dividends declared	-	-	-	-	-	-	-	-	(172,751)	(172,751)
Net loss	-	-	-	-	-	-	-	(2,557,518)	(1,455,158)	(4,012,676)
Balance as of December 31, 2012	**80,000**	**80**	**18,845,224**	**18,844**	**-**	**-**	**4,033,919**	**(3,600,683)**	**9,530,254**	**9,982,414**
Common stock issuances, net of offering costs of $ 26,732	-	-	966,264	967	-	-	1,890,301	-	-	1,891,268
Stock surrender	-	-	(1,800,000)	(1,800)	1,800,000	1,648,800	(1,647,000)	-	-	-
Share-based compensation - issuance of warrants for services	-	-	-	-	-	-	16,400	-	-	16,400
Dividends declared	-	-	-	-	-	-	-	-	(177,096)	(177,096)
Net income	-	-	-	-	-	-	-	95,693	1,642,417	1,738,110
Balance at December 31, 2013	**80,000**	**80**	**18,011,488**	**18,011**	**1,800,000**	**1,648,800**	**4,293,620**	**(3,504,990)**	**10,995,575**	**13,451,096**

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

Statements of cash flows

Year ended December 31	2013	2012
	$	$
Cash flows from operating activities:		
Net income (loss)	1,738,110	(4,012,676)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,884,887	1,776,662
Accretion expense	20,198	10,160
Amortization of deferred grant revenue	(458,577)	(392,633)
Share-based compensation	16,400	-
Loss on sale of energy property, net of closing costs of $21,169	56,718	-
Change in fair value of w arrants	323,370	(38,975)
Registration penalty	-	628,532
Bargain purchase gain	(5,215,157)	-
Changes in operating assets and liabilities:		
Accounts receivable	(186,229)	(309,201)
Grant receivable	-	7,852,668
Prepaid expenses	36,283	49,882
Accounts payable and accrued expenses	130,545	992,361
Net cash (used in) provided by operating activities	(653,452)	6,556,780
Cash flows from investing activities:		
Acquisition of business, net of cash	(7,187,149)	-
Purchase of energy property and equipment	(7,900,416)	-
Proceeds from sale of investment in energy property	525,000	-
Investment in energy assets	-	(278,730)
Net cash used in investing activities	(14,562,565)	(278,730)
Cash flows from financing activities:		
Restricted cash	143,971	(212,490)
Payments on deferred developer fee	(144,000)	(132,000)
Proceeds from notes payable	15,874,581	-
Payments on notes payable	(594,133)	(8,251,540)
Payment of deferred financing costs	(1,031,169)	-
Issuances of common stock, net of offering costs	1,891,268	1,516,821
Issuances of w arrants, net of offering costs	-	544,713
Distributions to noncontrolling interest	(177,096)	(128,113)
Capital contributions by noncontrolling interest holders, net of offering costs	-	629,676
Net cash provided by (used in) financing activities	15,963,422	(6,032,933)
Net increase in cash and cash equivalents	747,405	245,117
Cash and cash equivalents, beginning of year	358,749	113,632
Cash and cash equivalents, end of year	1,106,154	358,749
Cash paid during the year for interest	1,302,059	841,360
Issuance of common stock for registration penalty	-	628,532
Distributions to noncontrolling interest declared, but unpaid	-	44,638
Additions to energy property in construction contract payable	4,895,001	-
Stock surrender	1,648,800	-
Non-cash investment activities - asset retirement obligation	185,425	-

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

Notes to consolidated financial statements

1 Organization and Nature of Operations

Organization and Principles of Consolidation

Green States Energy, Inc. (GSE) was formed as a Florida corporation on June 3, 2010, and was re-incorporated in Delaware on December 9, 2011. The consolidated financial statements include the results of GSE, its consolidated subsidiaries, consisting of GSE Operations Company, LLC (GSE OPS), GSE NC 1, LLC (GSE NC), GSE NM1, LLC (GSE NM 1), and GSE MA1, LLC (GSE MA), and its variable interest entity (VIE), GSE Development Company, LLC (GSE DEV) (collectively, the Company). All intercompany accounts and transactions have been eliminated in consolidation.

GSE OPS

GSE OPS was formed as a Delaware limited liability company on December 21, 2011. GSE OPS provides the operations and maintenance as well as the administrative functions for GSE operating assets. GSE OPS is wholly-owned by GSE.

GSE NC

GSE NC was formed as a Delaware limited liability company on December 23, 2011. GSE NC conducts its business through its wholly-owned subsidiaries. GSE is the managing member and holds all control rights from GSE NC and, accordingly, consolidates GSE NC. GSE NC's wholly owned subsidiaries (collectively, the Subsidiaries) at December 31, 2013 and 2012 are as follows:

Sunrise NC Alexander Lessee, LLC (Alexander Project)
Sunrise NC Daughter Lessee, LLC (Daughter Project)
Sunrise NC Hindsman Lessee, LLC (Hindsman Project)
Sunrise NC Martin Lessee, LLC (Martin Project)
Sunrise NC RKAN Lessee, LLC (RKAN Project)
Sunrise NC Shields Lessee, LLC (Shields Project)

The Managing Member of GSE NC is GSE. The Investor Member of GSE NC is Red Stone Renewable Energy Fund, LLC. For the period from date of formation until the Flip Date, defined as the later of 61 months from the date the assets were placed in service or the last day of the quarter in which the Investor Member meets a targeted internal rate of return, the allocation of income and losses of GSE NC will be 99% to the Investor Member and 1% to the Managing Member. After the Flip Date, the allocation of income and losses will be 95% to the Managing Member and 5% to the Investor Member. As GSE is the Managing Member and holds all operational decision making authority, GSE NC is consolidated by the Company.

GSE NM 1

GSE NM1 was formed as a Delaware limited liability company in January 2013 for the purpose of acquiring certain investments in energy property in New Mexico (note 3). GSE NM1 conducts its business through its wholly-owned subsidiary, Sunrise Energy Ventures New Mexico, LLC (SEV NM). GSE is the managing member and holds all control rights for GSE NM1 and, accordingly, consolidates GSE NM1. GSE NM1 is the Managing Member and owns 95% of SEV NM. The remaining 5% is owned by Krumland Solar Advantages, LLC (Krumland). On September 30, 2017, Krumland's interest will be automatically reduced to 1% and GSE NM1's interest will be increased to 99%.

Sunrise Energy Ventures New Mexico, LLC had the following consolidated subsidiaries at December 31, 2013:

Sunrise NM Bogle, LLC
Sunrise NM Kerr, LLC
Sunrise NM Lathrop, LLC
New Mexico Green Initiatives LLC
SEV NM Phase 2, LLC

SEV NM Phase 2, LLC (GSE NM 2) was formed as a Delaware limited liability company in December 2011. GSE NM1 is the Managing Member and owns 95% of GSE NM 2. The remaining 5% is owned by Sunrise Energy Ventures, LLC (Sunrise). On March 31, 2018 Sunrise's interest will be automatically reduced to 1% and NM2's interest increased to 99%.

GSE MA1

GSE MA1 was formed as a Delaware limited liability company in April 2013 for the purpose of developing energy producing assets in Massachusetts. GSE MA1 is the Managing Member and owns 100% of SLX Project 1170, LLC.

GSE DEV

GSE DEV was formed in 2011 for the purpose of providing development services to GSE and its affiliates. It is owned by three individuals, consisting of two executives and one shareholder of GSE.

Nature of Operations

Through its Subsidiaries, the Company engages in the development, construction, financing, ownership, operation, and acquisition of distributed generation and utility-scale solar photovoltaic (PV) facilities (Solar Energy Facilities) in the United States. Financing of the acquisition or construction of Solar Energy Facilities is done primarily through equity and third-party debt. The Company sells the solar energy generated by the Solar Energy Facilities under pilot participation agreements (PPAs) to third-party customers, typically consisting of public utilities, energy cooperatives, municipalities, or private entities.

The cost of the facilities built in the United States of America may qualify for energy investment tax credits as provided under Section 48 of the Internal Revenue Code (IRC) (Section 48 Tax Credit) or alternatively, upon election, may be eligible for the United States Department of the Treasury (Treasury) grant payment for specified energy property in lieu of tax credits pursuant to Section 1603 of the American Recovery and Reinvestment Act of 2009 (Section 1603 Grant). The cost of the facilities built in the United States of America may also qualify for various state tax incentives, including the energy investment tax credits as provided under North Carolina General Statute §105-129.16A. In addition, XCEL Energy Inc., as part of its Solar*Rewards program, purchases Renewable Energy Credits (RECs) from GSE through GSE NM 1 and GSE NM 2. Also, the Massachusetts' Renewables Portfolio Standard (RPS) requires each regulated electricity supplier/provider serving retail customers in the state to meet certain minimum requirements as to the percent of total energy production coming from renewable sources. The RPS was significantly expanded by legislation enacted in July 2008 (S.B. 2768), which established two separate renewable standards - a standard for "Class I" renewables, and a standard for "Class II" renewables. Solar energy qualifies as a Class I renewable.

2 Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses for the period presented. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers cash, demand deposits and highly liquid investments with original maturities of less than three months to be cash and cash equivalents. The Company maintains cash deposits with major banks, which may at times exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of loss to be remote.

Restricted Cash

At December 31, 2013, restricted cash consisted of $36,000 held in escrow related to the deferred development fee payable in conjunction with GSE NC (note 9), $45,019 related to the development of MA1, and cash held in escrow at GSE DEV of $500,000. At December 31, 2012, restricted cash consisted of funds held in escrow related to common stock offerings of $224,990, as well as cash held in escrow at GSE DEV of $500,000. Funds held in escrow related to common stock offerings were released in 2013 upon completion of all necessary compliance procedures. The release of cash held in escrow at GSE DEV is contingent upon future cash flows and distributions to the Investor Member.

Energy Property

Acquired energy property is recognized at fair value at the date of acquisition. Energy property constructed by the Company is recognized at its cost, less depreciation. The Company provides for depreciation utilizing the straight-line method by charges to operations over estimated useful lives of 20 years for Solar Energy Facilities. Expenditures during the construction of new Solar Energy Facilities are capitalized to development in progress as incurred until achievement of the commercial operation date (COD). Expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are removed from the accounts and the related gain or loss, if any, is reflected in the year of disposal.

When the Company abandons the anticipated construction of a new solar energy facility during the development phase, costs previously capitalized to development in progress are written off. During the year ended December 31, 2012, the Company successfully recovered from vendors previously expensed project costs of $15,646. These amounts are reflected in unrecoverable project costs in the accompanying consolidated statements of operations. No unrecoverable project costs were written off or recovered during the year ended December 31, 2013.

Impairment of Long-Lived Assets

The Company reviews its investment in energy property and pilot participation agreements (PPAs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When evaluating impairment, if the undiscounted cash flows estimated to be generated by the energy property are less than its carrying amount, management compares the carrying amount of the energy property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset’s carrying value over its estimated fair value. No impairment loss was recognized during the year ended December 31, 2013 and 2012.

Deferred Costs

Costs in connection with leasing expenses are amortized over the term of the lease agreement using the straight-line method. Legal costs associated with the creation of the PPAs are amortized over the term of the PPAs using the straight-line method. Financing costs associated with the promissory note are amortized over the term of the loan. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. The following table summarizes deferred costs and accumulated amortization at December 31, 2013 and 2012:

December 31	2013	2012
	$	$
Deferred costs	807,646	13,481
Accumulated amortization	(151,182)	(730)
Total deferred costs, net	656,464	12,751

Amortization of deferred costs totaled $387,456 and $83,371 for the years ended December 31, 2013 and 2012, respectively.

Intangible Assets

Intangible assets consist of PPAs acquired either through the acquisition of Solar Energy Facilities, or by the direct acquisition of PPAs in contemplation of the development of a Solar Energy Facility. Intangible assets are initially recognized at their fair value and are amortized over the term of the related PPAs using the straight-line method. Amortization of these intangibles totaled $396,158 and $260,896 in the years ended December 31, 2013 and 2012, respectively. The following table summarizes intangible assets at December 31, 2013 and 2012:

December 31	2013	2012
	$	$
Intangible assets		
Pilot participation agreements	4,263,000	2,609,000
Accumulated amortization	(667,925)	(271,767)
Total intangible assets, net	3,595,075	2,337,233

Estimated amortization expense for each of the next five years and thereafter is as follows:

	Amount
	$
2014	426,300
2015	426,300
2016	426,300
2017	426,300
2018	426,300
Thereafter	1,463,575
	3,595,075

Asset Retirement Obligation

In connection with the acquisition or development of Solar Energy Facilities, the Company may have the legal requirement to remove long-lived assets constructed on leased property and to restore the leased property to its condition prior to the construction of the long-lived assets. This legal requirement is referred to as an asset retirement obligation (ARO). If the Company determines that an ARO is required for a specific Solar Energy Facility, the Company records the present value of the estimated liability when the Solar Energy Facility is placed in service. AROs recorded for owned facilities are recorded by increasing the carrying value of investment in energy property and depreciated over the solar energy facility's useful life, while an ARO recorded for a leasing arrangement is accounted for as a liability in the initial period recognized and amortized over the term of the lease. After initial recognition of the liability, the Company accretes the ARO to its future value over the solar energy facility's useful life or lease period.

Revenue Recognition

The Company derives revenues from the following services: sales of electricity and receipt of grants from government entities.

Energy generation revenue is recognized as electricity is generated by the solar energy facility and delivered to the customers. Revenues are based on actual output and contractual sale prices set forth in long-term PPAs. The Company extends credit based on an evaluation of customers' financial conditions, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company considers invoices past due when they are outstanding longer than the stated term. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses. No allowance for doubtful accounts was necessary at December 31, 2013 or 2012.

When the Company is eligible for Section 1603 Grants (Note 1), the Company recognizes a receivable and corresponding deferred revenue for the grants when the Solar Energy Facilities achieve COD. Eligibility and collectability is determined based upon an analysis of the related Solar Energy Facility's compliance with legal and regulatory requirements, and completion of related Section 1603 Grant applications. Deferred grant revenue is amortized using the straight-line method over the useful life of the related Solar Energy Facility.

Subsequent to its acquisition of the Subsidiaries and achievement of COD in December 2011, the Company became eligible and filed for the receipt of a Section 1603 Grant in the initial amount of $7,852,668, which was received in 2012. The Company has filed for a Section 1603 Grant related to the Solar Energy Facility held by NM 2 in the amount of $2,083,824, which is expected to be collected in April 2014. Revenue recognized from the amortization of deferred grants during the years ended December 31, 2013 and 2012 was $458,576 and $392,633, respectively.

Variable Interest Entity

The Company consolidates entities in which it has a controlling financial interest.

The Company follows the authoritative guidance included in generally accepted accounting principles on accounting for consolidation of VIEs. Such guidance applies to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In the normal course of business, the Company enters into a variety of transactions with VIEs. The Company determines the primary beneficiary based on an evaluation of which party has both: (i) the power to direct the activities that most significantly impact the economic performance of the VIE; and (ii) has the obligation to absorb losses, or the right to receive benefits that potentially are significant to the VIE. The Company evaluates its relationships with other entities to identify whether those entities are VIEs and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the consolidated financial statements. The Company is the primary beneficiary for such a VIE, GSE DEV (Note 9).

Stock Warrants

The Company accounts for warrants issued with a fixed exercise price as equity instruments. Warrants issued with exercise prices based on the greater of a multiple of a future financing event or a fixed amount are accounted for as liability instruments in the consolidated balance sheets.

Income Taxes

The Company accounts for income taxes using the liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences arising between the tax bases of assets and liabilities and their reported amounts for financial reporting purposes.

The Company records valuation allowances to reduce its deferred tax assets to the amount expected to be realized. In assessing the adequacy of recorded valuation allowances, the Company considers a variety of factors including the scheduled reversal of deferred tax liabilities, future taxable income and prudent and feasible tax planning strategies.

The Company follows applicable authoritative guidance on accounting for uncertainty in income taxes, which, among other things, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest, and penalties, accounting in interim periods, disclosure and transition. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2013 and 2012, the Company had no uncertain tax positions and no unrecognized tax benefits. Penalties and interest assessed by income tax authorities are included in general and administrative expenses. For the years ended December 31, 2013 and 2012, the Company did not incur any penalties and interest.

Stock Split

In December 2012, the Company executed a 2:1 stock split for all then outstanding shares of its common stock. The amounts shown in the accompanying consolidated financial statements for shares authorized, issued and outstanding have been retrospectively adjusted to reflect the stock split as if it had occurred at the beginning of the period presented.

Registration Penalty

The Company's common stock offering in 2011 contained a requirement that the Company list its shares on a publicly traded exchange by May 2012. The Company did not meet this requirement, and, as required by the offering agreement, issued 1,136,558 additional shares of common stock with an estimated fair value of $628,532 as compensation to affected shareholders. No further compensation to affected shareholders is required.

Reclassifications

Certain prior period amounts were reclassified to conform with current year classification. Such reclassifications had no effect on the Company's results of operations, working capital, total assets or total liabilities.

3 Acquisition

On February 23, 2013, the Company, through its subsidiary GSE NM 1, acquired a 95% interest in SEV NM, which owned a solar energy project with facilities located in and around Roswell, New Mexico. The acquired project consisted of two distinct and separate phases, with separate noncontrolling interest holders in each phase. The purpose of the acquisition was to expand the Company's production capacity.

Phase 1 consisted of a fully-operational 2.9MW ground-mounted solar PV project consisting of 16 sites located in Roswell and Dexter, New Mexico. Phase 2 consisted of a planned 2.5 MW ground-mounted solar PV project located in Roswell, New Mexico. Management determined that Phase 1 constituted an acquisition of a business and accounted for the transaction as such. Phase 2 consisted primarily of certain intangible assets, which management determined did not constitute a business and accounted for it as an asset acquisition. Of the total purchase price of $8,000,000 in cash, $7,230,000 was allocated to the acquisition of Phase 1, and the remaining $770,000 was allocated to the acquisition of Phase 2.

A summary of the purchase price allocation with respect to Phase 1 follows:

		Estimated useful life
Assets acquired	$	
Cash	42,851	NA
Energy property	11,032,306	20 years
Pilot participation agreements	1,370,000	10 years
	12,445,157	
Cash purchase price	(7,230,000)	
Bargain purchase gain	5,215,157	

A bargain purchase gain in the amount of $5,215,157 was recognized at acquisition in 2013. The gain is the excess of the fair value of identifiable assets over total consideration. The gain was driven primarily by the financial distress of the seller and the Company's ability to leverage preexisting relationships with the contractor involved in the project.

4 Investment in Energy Property

Investment in energy property consists of the following as of December 31, 2013 and 2012:

December 31	2013	2012
	$	$
Solar energy facilities - Operating	46,439,240	27,689,496
Asset retirement obligation	354,548	169,123
Development in progress	10,036,712	824,451
	56,830,500	28,683,070
Accumulated depreciation	(3,511,777)	(1,450,802)
	53,318,723	27,232,268

Depreciation expense was $2,060,975 and $1,392,097 for the years ended December 31, 2013 and 2012, respectively.

5 Notes Payable

The following is a summary of the Company's indebtedness at December 31, 2013 and 2012:

	Interest Rate	Original Principal	December 31, 2013	December 31, 2012
Description	**%**	**$**	**$**	**$**
Hunt Electric Corporation - GSE NC 1 notes	12.00	16,629,676	8,428,136	8,428,136
Hunt Electric Corporation - GSE NM 1	9.00	1,271,795	1,134,650	-
Sunrise Energy Ventures - GSE NM 1	9.00	134,650	134,650	-
Bridge Bank - 1603 loan	8.00	2,104,932	2,104,932	-
Bridge Bank - Senior loan	8.00	6,197,797	5,846,054	-
Bridge Bank - GSE NM 2 term loan	8.00	6,165,227	6,060,162	-
Total			23,708,584	8,428,136
Less current maturities			(10,533,068)	-
Long-term debt, net of current maturities			13,175,516	8,428,136

Hunt Electric Corporation – GSE NC 1 notes

On December 23, 2011, each of the Subsidiaries entered into a promissory note with Hunt Electric Corporation which is collateralized by the assets of the Subsidiaries. The notes bear interest at the greater of the Prime rate plus two percent or 6 percent per annum. Beginning on January 30, 2012, interest only payments began and were to continue until the maturity date on March 30, 2012, at which time all outstanding principal and interest was due unless extended. During 2012, the Company paid the necessary extension fees and the maturity date of the loan was extended to January 4, 2013. These fees totaled $253,113 and are included in interest expense in the accompanying statement of operations for the year ended December 31, 2012. In 2013, the Company amended the agreement again, extending the maturity date to March 15, 2014. The notes do not have any financial covenants; however, as of December 31, 2013, the Company was in default on certain payment provisions, therefore the Company is currently paying a default rate of interest of 12.0%. As of both December 31, 2013 and 2012, $8,428,136 remained outstanding on these notes. At both December 31, 2013 and 2012, the GSE NC 1 notes consisted of the following:

	Amount
	$
Daughter Project	1,626,598
Alexander Project	1,599,620
Hindsman Project	1,589,707
Martin Project	1,595,660
RKAN Project	1,013,573
Shields Project	1,002,978
	8,428,136

Hunt Electric Corporation – GSE NM 1

On February 12, 2013, the Company, through a subsidiary, entered into a promissory note arrangement with Hunt Electric, collateralized by certain assets of GSE NM 1. The promissory note had an initial principal amount of $1,271,795, bears interest at 9.00% per annum, and is subordinated to the Bridge Bank loans. Interest is payable monthly; any unpaid principal and accrued interest is due September 1, 2018. Payments of principal are required prior to that date to the extent excess cash flows, as defined, exist after principal payments on the Bridge Bank loans are made.

Sunrise Energy Ventures – GSE NM 1

On February 12, 2013, the Company, through a subsidiary, entered into a promissory note arrangement with Sunrise Energy Ventures, LLC, collateralized by certain assets of GSE NM 1 and subordinated to the Bridge Bank loans. The promissory note had an original principal amount of $134,650 and bears interest at 9.00% per annum. Interest is payable monthly; any unpaid principal and accrued interest is due September 30, 2018. Payments of principal are required prior to that date to the extent excess cash flows, as defined, exist after principal payments on the Bridge Bank loans are made.

Bridge Bank Loans

On February 12, 2013, the Company, through a subsidiary, entered into the Senior Loan, NM 2 Term Loan, and 1603 Loan with Bridge Bank. These loans bear interest at 8.00% per annum. The Senior Loan and GSE NM 2 Term Loan require monthly principal payments and mature on February 11, 2018 and June 12, 2018, respectively. The 1603 Loan maturity was extended in April 2014 until May 2014.

6 Stock Warrants

During 2010 the Company issued warrants for 4,583,370 shares of common stock. The warrants vested immediately and have a term of five years from the grant date with a weighted-average exercise price of $0.17. These warrants were accounted for as equity instruments.

During the year ended December 31, 2012, the Company issued warrants for 2,574,334 shares of the Company's common stock. These warrants can be exercised at the lower of $1.85 per share or 70% of the common stock offering price on an initial public offering. Because these warrants include a down-round provision, the fair value of the warrants is recognized as a liability at the balance sheet date. No warrants classified as liability instruments were issued during the year ended December 31, 2013. The fair value of these warrants was estimated at the date of grant using the calculated-value method incorporating a Black-Scholes Option Pricing Model. Expected volatility is based on average volatilities of similar public entities. The risk-free interest rate for periods within the contractual life of the warrant is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life represents an estimate of the length of time the warrants are expected to remain outstanding. The warrants have a term of no greater than five years from the grant date and vested immediately. At December 31, 2013 and 2012, the fair value of warrants recognized as liabilities was $1,405,073 and $1,081,703, respectively. Changes in the year-over-year fair value of warrants are recognized in other income (expense) in the consolidated statements of operations.

During the year ended December 31, 2013, the Company issued warrants for 617,867 shares of common stock at fixed exercise prices ranging from $3.00 to $3.70 per share. These warrants were classified as equity instruments. Included in these warrants are warrants for 99,460 shares of common stock in consideration for services, which resulted in share-based compensation expense of $16,400, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

The following table presents the range of weighted-average assumptions used in the valuation of warrants accounted for as liability instruments:

	2013	2012
Risk-free interest rate	1.30%	1.90%
Dividend yield	-	-
Expected volatility	70.0%	77.3%
Expected life (years)	3.9	5.0

The table below summarizes warrant activity in 2013 and 2012:

	2013		2012	
	Warrants	Average Exercise Price	Warrants	Average Exercise Price
		$		$
Balance, beginning of the year	10,801,914	1.05	8,227,580	0.80
Granted during the year	617,867	3.02	2,574,334	1.85
Balance, end of year	11,419,781	1.16	10,801,914	1.05
Exercisable, end of year	11,419,781	1.16	10,801,914	1.05

7 Fair Value Measurements

The accounting standard for fair value measurement and disclosures defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosure about fair value measurements. Fair value is defined by the accounting standard for fair value measurement and disclosures as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of inputs and hierarchy of fair value the partnership uses when measuring fair value:

Level 1 Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the partnership has the ability to access;

Level 2 Inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 Inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety. The following table presents the Company's financial instruments measured at fair value on a recurring basis at December 31, 2013 and 2012:

	Fair value measurements			
December 31, 2013	Level 1	Level 2	Level 3	Total
	$	$	$	$
Warrants	-	-	1,405,073	1,405,073
	-	-	1,405,073	1,405,073

	Fair value measurements			
December 31, 2012	Level 1	Level 2	Level 3	Total
	$	$	$	$
Warrants	-	-	1,081,703	1,081,703
	-	-	1,081,703	1,081,703

8 Operating Leases

Site Leases

The Company, through its subsidiaries, has entered into various lease agreements for the sites where Solar Energy Facilities have been constructed. Rent expense for GSE NC 1 is payable monthly based on a contractual rate per kilowatt-hour for each kilowatt-hour of electricity generated by the facilities. Rent expense for all other facilities is based on a stated rate, subject to offset for energy production used by the lessor. Rent expense totaled $204,479 and $142,192 for the years ended December 31, 2013 and 2012, respectively. Minimum rent payments for the next five years and thereafter, excluding potential offsets, are as follow:

	Amount
	$
2014	152,000
2015	153,900
2016	155,838
2017	157,815
2018	159,831
Thereafter	4,943,840
	5,723,224

9 Related-party Transactions

Development Service Fees

The Company, through its consolidated subsidiary GSE DEV, entered into an agreement with North Carolina Solar Trust, LLC (NCST), an unrelated party, in connection with the acquisition of the Subsidiaries in 2011. This agreement called for development service fees payable to NCST with an initial face value of $3,025,000.

The fees are non-interest bearing, payable from capital contributions and cash flows, as defined, with all amounts outstanding due and payable by December 31, 2024. The development services fee payable was initially recorded at its estimated present value and included a discount in the original amount of $332,236. The discount is being amortized over the estimated life of the agreement using the straight-line method, which approximates the effective interest method. The following table summarizes the development service fee payable at December 31, 2013 and 2012:

	Face Amount	Discount	Discounted Amount
	$	$	$
2013	2,249,000	(251,640)	1,997,360
2012	2,393,000	(291,938)	2,101,062

Amortization expense was $40,298 for the years ended December 31, 2013 and 2012, and is included in interest expense in the accompanying consolidated statements of operations. Amortization is based on estimated payments to NLST. Estimated amortization expense for each of the next five years and thereafter is as follows:

	Amount
	$
2014	40,298
2015	40,298
2016	40,298
2017	40,298
2018	40,298
Thereafter	50,150
	251,640

The Company is the primary beneficiary of GSE DEV. As of December 31, 2013 and 2012, and for the years then ended, GSE DEV has been consolidated with the Company.

As the VIE has elected to be taxed as a partnership for federal and state income tax purposes, there was no effect on income tax expense as a result of the consolidation.

An officer in the Company owns a minority interest in Green Earth Development, LLC (GED). GED was awarded a sub-contract agreement from S&C Electric for construction services related to the New Mexico Phase 2 project of approximately $2,000,000.

10 Asset Retirement Obligation

The Company's ARO relates to its owned Solar Energy Facilities. The lease and associated PPAs requires that, upon the end of the period, the Solar Energy Facility be removed from the host customer's site. The Company recognized an increase to investment in energy property and an asset retirement liability upon COD. Each period, the liability will be accreted to its future value while the aggregate capitalized cost of $354,548 is depreciated over the life of the related assets. As of December 31, 2013 and 2012, the asset retirement obligation was $385,128 and $179,505, respectively. Accretion expense was $20,198 and $10,160 for the years ended December 31, 2013 and 2012, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

11 Income Taxes

Under the liability method, a deferred tax asset or liability is measured based on the difference between the financial statement and tax bases of assets and liabilities, as measured by the enacted tax rates.

The Company's deferred income tax assets (liabilities) are as follows:

	December 31, 2013	December 31, 2012
Current	**$**	**$**
Accruals	278,358	29,243
Stock warrant liability	59,750	(64,922)
Valuation allowance	(47,012)	(7,237)
Total	291,096	(42,916)
Non-current		
Net operating losses	4,368,223	4,361,853
Property and equipment	289,368	385,818
Investments in subsidiaries	(4,348,595)	(3,557,474)
Other	55,197	36,798
Valuation allowance	(655,289)	(1,184,079)
Total	(291,096)	42,916

The Company continues to evaluate unrecognized tax benefits as additional legislation and tax rulings are issued by the various tax authorities to which the Company is subject and as additional facts and circumstances develop.

The Company has federal and state net operating losses of approximately $12,080,694 and $5,726,551, respectively, as of December 31, 2013. These net operating losses (NOLs) begin to expire in 2031.

Applicable authoritative accounting guidance requires that deferred tax assets be reduced by a valuation allowance if it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, the length of carryback and carryforward periods and the implementation of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exist. Allocations of income from GSE NC are expected to be sufficient to allow the Company to realize the benefit of a portion of its deferred tax assets, including NOLs. The Company has recognized a valuation allowance against the remaining deferred tax assets.

The actual income tax expense for the years ended December 31, 2013 and 2012 differed from the expected amounts of income taxes computed by applying the statutory federal income tax rate to income before taxes due to permanent differences and the change in the valuation allowance.

Management's judgment is required in determining tax provisions and evaluating tax positions. Although management believes its tax positions and related provisions reflected in the consolidated financial statements are fully supportable, it recognizes that these tax positions and related provisions may be challenged by various tax authorities. These tax positions and related provisions are reviewed on an ongoing basis and are adjusted as additional facts and information become available, including progress on tax audits, changes in interpretation of tax laws, developments in case law and closing of statute of limitations. The Company's tax provision includes the impact of recording reserves and any changes thereto. As of December 31, 2013, the Company has a number of open tax years with various taxing jurisdictions that range from 2010 to 2013.

12 Commitments and Contingencies

As a condition to claiming Section 1603 Grants, the Company is required to maintain compliance with Section 48 of the IRC for a period of five years following COD. Failure to maintain compliance with the requirements of Section 48 could result in recapture of the amounts received, plus interest. The Company was in compliance with all relevant requirements of Section 48 at December 31, 2013.

13 Pilot Participation Agreements

The Company has entered into a 20-year PPA with the Tennessee Valley authority, which provides for the receipt of payments in exchange for the sale of all solar-powered electric energy. The electricity payments are calculated based on the amount of electricity delivered at a designated delivery point at a fixed price equal to $0.12 per kilowatt hour sold plus a variable rate, which has both a residential and commercial component. At December 31, 2013 and 2012, the residential rate was $0.1022 and $0.1083, respectively, and the commercial rate was $0.1214 and $0.1272, respectively, per kilowatt hour. The Company is dependent on this arrangement. Should the arrangement with the Tennessee Valley Authority be terminated or expire, the Company would be financially dependent on the stockholders.

Energy produced by Phase 1 and Phase 2 of the New Mexico projects is sold to XCel Energy, a local electric utility serving the Roswell, New Mexico area. Phase 1 and Phase 2 also sell all excess electricity and related attributes, such as solar renewable energy credits, to Southwestern Public Service Company, at a rate of $0.2000 and $0.1700 per kilowatt hour, respectively.

14 Share-based Compensation Arrangement

In 2013, the Company established a share-based compensation plan (the Plan) providing for restricted stock awards to executives, board members and service providers. Awards under this plan vest over a four-year period, beginning with a change in control or liquidity event, as defined. As such, no compensation expense has been recognized for these awards under the Plan for the year ended December 31, 2013. During the year ended December 31, 2013, the Company granted a total of 3,601,653 restricted shares of the Company's stock as awards under the Plan.

15 Subsequent Events

Management evaluated the activity of GSE and Subsidiaries through April 15, 2014, the date the financial statements were available to be issued, and concluded that all subsequent events requiring recognition or disclosure in the financial statements have been recognized or disclosed in the financial statements or the notes to the financial statements.

On January 31, 2014. GSE acquired a 3.7MW project in Shirley, MA. GSE MA2, LLC was formed as a Delaware limited liability company in December 2013. MA2 is the Managing Member and owns 100% of SLX Project 1070, LLC. SLX Project 1070, LLC entered into an engineering, procurement and construction contract for approximately $11M. The project is currently under construction and is expected to be completed by June 30, 2014.

On April 10, 2014, the Company received final approval by the United States Department of the Treasury for the Company's Section 1603 grant application for Phase 2 in the amount of $2,083,824.

Consolidating balance sheet

December 31	GSE Inc.	OPS	GSE NC 1	GSE NM 1	GSE NM 2	GSE MA 1	GSE Dev	Eliminations	Consolidated
	$	$	$	$	$	$	$	$	$
Assets									
Current assets:									
Cash	411,282	22,755	124,164	348,806	199,147	-	-	-	1,106,154
Accounts receivable	75,000	-	283,056	59,819	103,517	-	-	-	521,392
Deferred tax asset	291,096	-	-	-	-	-	-	-	291,096
Prepaid and other	-	-	-	7,125	-	-	-	-	7,125
Due from alliliate	2,219,412	130,082	-	-	-	-	5,703,328	(8,052,822)	-
Grants receivable	-	-	-	-	2,083,824	-	-	-	2,083,824
Total current assets	2,996,790	152,837	407,220	415,750	2,386,488	-	5,703,328	(8,052,822)	4,009,591
Investment in energy property, net	346,008	16,441	25,014,885	10,656,049	8,443,940	10,036,712	-	(1,195,312)	53,318,723
Investment in subsidiary	599,155	-	-	-	-	-	-	(599,155)	-
Other assets:									
Intangible assets, net	-	-	2,076,333	1,250,125	268,617	-	-	-	3,595,075
Restricted cash	-	-	36,000	-	-	45,019	500,000	-	581,019
Deferred costs, net	345,951	-	12,077	178,961	119,475	-		-	656,464
Total other assets	345,951	-	2,124,410	1,429,086	388,092	45,019	500,000	-	4,832,558
Total assets	4,287,904	169,278	27,546,515	12,500,885	11,218,520	10,081,731	6,203,328	(9,847,289)	62,160,872
Liabilities and Members' Equity									
Current liabilities:									
Accounts payable and accrued expenses	1,228,957	23,168	544,345	134,247	27,895	-	-	-	1,958,612
Construction contracts payable	-	-	-	-	-	9,895,001	-	-	9,895,001
Development service fees payable, current portion	-	-	144,000	-	-	-	144,000	(144,000)	144,000
Notes payable, short-term	-	-	8,428,136	-	2,104,932	-	-	-	10,533,068
Derivative liability	1,405,073	-	-	-	-	-	-	-	1,405,073
Due to affiliates	71,748	-	526,365	54,069	196,265	188,853	1,312,193	(2,349,493)	-
Total current liabilities	2,705,778	23,168	9,642,846	188,316	2,329,092	10,083,854	1,456,193	(2,493,493)	23,935,754
Long term liabilities:									
Notes payable, long-term	-	-	-	7,115,354	6,060,162	-		-	13,175,516
Development service fees payable, net	-	-	2,143,801	2,165,528	1,250,000	-	1,853,360	(5,559,329)	1,853,360
Deferred tax liability	291,096	-	-	-	-	-	-	-	291,096
Asset retirement obligation	-	-	191,451	117,117	76,560	-		-	385,128
Deferred grants	-	-	7,051,041	-	2,017,881	-		-	9,068,922
Total long-term liabilities	291,096	-	9,386,293	9,397,999	9,404,603	-	1,853,360	(5,559,329)	24,774,022
	2,996,874	23,168	19,029,139	9,586,315	11,733,695	10,083,854	3,309,553	(8,052,822)	48,709,776
Common stock	19,811	-	-	-	-	-	-	-	19,811
Preferred stock	80	-	-	-	-	-	-	-	80
Treasury stock	-	-	-	-	-	-	-	-	-
Retained earnings	(4,669,481)	146,110	-	-	-	-	-	1,018,381	(3,504,990)
APIC	5,940,620	-	-	-	-	-	-	-	5,940,620
Noncontrolling interest	-	-	7,969,330	158,229	(25,759)	-	2,893,775	-	10,995,575
Members' equity	-	-	548,046	2,756,341	(489,416)	(2,123)	-	(2,812,848)	-
Total liabilities and members' equity	4,287,904	169,278	27,546,515	12,500,885	11,218,520	10,081,731	6,203,328	(9,847,289)	62,160,872

Consolidating statement of operations

	GSE Inc.	OPS	GSE NC 1	GSE NM 1	GSE NM 2	GSE MA 1	GSE Dev	Eliminations	Consolidated
	$	$	$	$	$	$	$	$	$
Revenues									
Energy generation revenue	-	-	1,655,131	1,254,092	470,151	-			3,379,374
Development fees	-	-	-	-	-	-	3,807,488	(3,807,488)	-
Management fees	-	311,378	-	-	-	-		(311,378)	-
Deferred grant revenues	-	-	392,633	-	65,944	-			458,577
Total revenues	-	311,378	2,047,764	1,254,092	536,095	-	3,807,488	(4,118,866)	3,837,951
Operating expenses									
Selling, general and administrative expenses	928,685	177,692	427,727	(50,541)	119,829	18,853	1,269,569	(808,867)	2,082,947
Total operating expenses before undernoted items	928,685	177,692	427,727	(50,541)	119,829	18,853	1,269,569	(808,867)	2,082,947
Net operating (loss) income before undernoted items	(928,685)	133,686	1,620,037	1,304,633	416,266	(18,853)	2,537,919	(3,309,999)	1,755,004
Depreciation and amortization	(143)	-	(1,666,451)	(651,210)	(601,670)	-		54,687	(2,864,787)
Other income (expense)									
Interest income (expense)	879	-	(1,110,136)	(644,010)	(329,772)	19	117,013	-	(1,966,007)
Bargain purchase gain	-	-	-	5,215,157	-	-	-	-	5,215,157
Development expenses	-	-	-	(2,060,000)	-	-	-	2,060,000	-
Change in fair value of stock warrants	(323,370)	-	-	-	-	-	-	-	(323,370)
Loss on sale of assets	(77,887)	-	-	-	-	-	-	-	(77,887)
Total other (expense) income	(400,378)	-	(1,110,136)	2,511,147	(329,772)	19	117,013	2,060,000	2,847,893
Net (loss) income	(1,329,206)	133,686	(1,156,550)	3,164,570	(515,176)	(18,834)	2,654,932	(1,195,312)	1,738,110
Loss (income) attributable to noncontrolling interest	-	-	1,144,985	(158,229)	25,759	-	(2,654,932)	-	(1,642,417)
Net (loss) income attributable to Green States Energy, Inc.	(1,329,206)	133,686	(11,565)	3,006,341	(489,417)	(18,834)	-	(1,195,312)	95,693