

Blue Earth, Inc.  
Form 10-Q/A  
October 14, 2015

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

**Amendment No. 1 to**

**Form 10-Q/A**

**(Mark One)**

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

**For the quarterly period ended March 31, 2015**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**COMMISSION FILE NUMBER 0-54669**

**BLUE EARTH, INC.**

(Exact Name of small business issuer as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**98-0531496**  
(I.R.S. Employer  
Identification No.)

**2298 Horizon Ridge Parkway, Suite 205, Henderson, NV 89052**

(Address of principal executive offices) (Zip Code)

N/A

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

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 6, 2015 the issuer had 93,836,058 outstanding shares of Common Stock

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-QA amends the Quarterly Report on Form 10-Q for the three months ended March 31, 2015 (the Original Report ) of Blue Earth, Inc. (the Company ), which was filed with the Securities and Exchange Commission on May 11, 2015. The Company is filing this amended Form 10-Q/A to present on a retroactive basis the effect of several Type 1 subsequent events including the resolution of certain litigation and the discontinuance of a significant component of its operations. This amendment is filed in accordance with Topic 13 of the Financial Reporting Manual of the Securities and Exchange Commission. The amended Form 10-Q/A also incorporates revisions to the notes and Management's Discussion and Analysis as the result of the response to review comments from the Securities and Exchange Commission staff. The filing of this Form 10-Q/A shall not be deemed an admission that the Original Report, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.





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**PART I****ITEM 1. FINANCIAL STATEMENTS****BLUE EARTH, INC. AND SUBSIDIARIES**

## Consolidated Balance Sheets

<u>ASSETS</u>	March 31, 2015 (restated) (unaudited)	December 31, 2014
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,090,154	\$ 2,883,621
Restricted cash	632,258	632,102
Accounts receivable, net	3,438,804	1,739,822
Costs and revenues in excess of billings	552,930	3,967,207
Inventory, net	521,858	352,862
Construction in progress	71,128	68,213
Other receivables	76,194	78,926
Prepaid expenses and deposits	1,742,954	1,639,531
Total Current Assets	13,126,280	11,362,284
<b>PROPERTY AND EQUIPMENT, net</b>	<b>63,881,481</b>	<b>56,815,626</b>
<b>OTHER ASSETS</b>		
Deposits	71,544	80,455
Natural gas futures	2,259,995	2,426,266
Long term receivables	1,417,901	1,587,548
Equity method investment	9,525,841	9,353,402
Assets of discontinued operations	1,103,059	1,221,631
Contracts and technology, net	18,247,487	19,296,534
Total Other Assets	32,625,827	33,965,836
<b>TOTAL ASSETS</b>	<b>\$ 109,633,588</b>	<b>\$ 102,143,746</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,243,128	\$ 3,933,969
Current portion of notes payable, net	22,505	121,466
Related party payables	1,333,147	1,333,147
Line of credit payable	3,000,000	-
Convertible note payable	8,026,072	-



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Accrued expenses	2,546,721	2,857,597
Payroll expenses payable	261,243	167,780
Liabilities of discontinued operations	495,629	354,665
Total Current Liabilities	19,928,445	8,768,624
<b>LONG TERM LIABILITIES</b>		
Long term portion of notes payable	-	-
Total Liabilities	19,928,445	8,768,624
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock; 25,000,000 shares authorized at \$0.001 par value, 400,000 and -0- shares issued and -0- and -0- shares outstanding, respectively	400	-
Common stock; 500,000,000 shares authorized at \$0.001 par value, 93,404,858 and 94,258,713 shares issued and outstanding, respectively	93,405	94,259
Additional paid-in capital	190,797,290	188,159,932
Accumulated deficit	(101,185,952)	(94,879,069)
Total Stockholders' Equity	89,705,143	93,375,122
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 109,633,588</b>	<b>\$ 102,143,746</b>

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

**BLUE EARTH, INC. AND SUBSIDIARIES**

## Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended March 31,	
	2015 (restated)	2014 (restated)
REVENUES	\$ 3,752,014	\$ 1,879,168
COST OF SALES	3,422,344	1,251,626
GROSS PROFIT	329,670	627,542
OPERATING EXPENSES		
Depreciation and amortization	1,081,579	948,820
General and administrative	5,076,380	5,024,908
Total Operating Expenses	6,157,959	5,973,728
LOSS FROM OPERATIONS	(5,828,289)	(5,346,186)
OTHER INCOME (EXPENSE)		
Other income	940	940
Loss from equity investment	(227,560)	-
Interest expense	(421,341)	(230,007)
Mark futures to market	(166,271)	-
Gain on sale of assets	7,987	11,235
Gain on settlement of litigation	989,778	-
TOTAL OTHER INCOME (EXPENSE)	183,533	(217,832)
LOSS BEFORE INCOME TAXES	(5,644,756)	(5,564,018)
INCOME TAX EXPENSE	-	-
LOSS FROM CONTINUING OPERATIONS	(5,644,756)	(5,564,018)
GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS,		
net of income taxes of \$0	-	-
GAIN (LOSS) FROM DISCONTINUED OPERATIONS,		
net of income taxes of \$0	(662,127)	(122,442)
NET LOSS	(6,306,883)	(5,686,460)

PREFERRED DIVIDENDS	-	(392,888)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (6,306,883)	\$ (6,079,348)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.06)	\$ (0.09)
Continuing Operations		
Discontinued Operations	(0.01)	(0.00)
Net Loss Per Share	\$ (0.07)	\$ (0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC AND DILUTED	94,311,979	61,928,226

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

**BLUE EARTH, INC. AND SUBSIDIARIES**

## Consolidated Statements of Cash Flows

(unaudited)

	For the Three Months Ended March 31,	
	2015 (restated)	2014 (restated)
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (6,306,883)	\$ (5,686,460)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock options and stock warrants issued for services	1,385,338	1,189,727
Loss on equity subsidiary	227,560	-
Impairment of construction in progress	369,039	-
Mark gas futures to market	166,271	-
(Gain) on settlement of litigation	(989,778)	-
(Gain) on sale of assets	(7,987)	(11,235)
Stock issued for services	320,653	670,542
Depreciation and amortization	1,081,579	948,820
Amortization of debt discount	279,254	-
Changes in operating assets and liabilities:		
Accounts receivable and billings in excess	1,884,942	427,138
Inventory	(168,996)	(9,689)
Restricted cash	(156)	-
Construction in progress	(371,955)	184,302
Prepaid expenses and deposits	(291,770)	162,507
Accounts payable and accrued expenses	91,747	444,207
Net Cash Used in Operating Activities	(2,331,142)	(1,680,141)
Net Cash Provided by Discontinued Operating Activities	264,448	(1,072,270)
<b>INVESTING ACTIVITIES</b>		
Collection of other receivables	2,732	-
Proceeds from sale of equipment	7,987	-
Purchase of equity method investment	(400,000)	-
Lending of other receivables	-	(887)
Purchase of property and equipment	(7,098,388)	(1,353,588)
Net Cash Used in Investing Activities	(7,487,669)	(1,354,475)
Net Cash Used in Discontinued Investing Activities	-	(17,882)
<b>FINANCING ACTIVITIES</b>		
Proceeds from common stock warrants and options exercised	-	100,857
Cash received on stock subscriptions	-	1,000,000
Proceeds from line of credit	2,911,700	-

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Proceeds from notes payable	9,953,068	-
Repayment of notes payable and line of credit	(98,962)	(435,498)
Repayment of related party loans	-	(4,004)
Net Cash Provided by Financing Activities	12,765,806	661,355
Net Cash (Used in) Discontinued Financing Activities	(4,910)	(3,212)
NET INCREASE (DECREASE) IN CASH	3,206,533	(3,466,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,883,621	8,373,380
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,090,154	\$ 4,906,755

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

**BLUE EARTH, INC. AND SUBSIDIARIES**

## Consolidated Statements of Cash Flows (Continued)

(unaudited)

	For the Three Months Ended	
	March 31,	
	2015	2014
<b>SUPPLEMENTAL DISCLOSURES OF</b>		
<b>CASH FLOW INFORMATION</b>		
<b>CASH PAID FOR:</b>		
Interest	\$ 68,871	\$ 97,292
Income taxes	\$ -	\$ -
<b>NON CASH FINANCING ACTIVITIES:</b>		
Common stock issued upon conversion of preferred stock	\$ -	\$ 333,128
Common stock cancelled for settlement of litigation	\$ (989,778)	\$ -
Common stock issued for acquisition of subsidiaries	\$ -	\$ 4,602,500
Preferred issued for debt	\$ 400	\$ -
Debt discount and conversion feature attached to convertible debt	\$ 1,385,338	\$ -

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

**BLUE EARTH, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

**NOTE 1 - CONDENSED FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2015 and 2014, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2014 audited financial statements, as amended. The results of operations for the periods ended March 31, 2015 and 2014 are not necessarily indicative of the operating results for the full year.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Inventory

Inventory is recorded at the lower of cost or market (net realizable value) using the average cost method. The inventory on hand as of March 31, 2015 consists of battery and battery components, at costs of \$521,858. The inventory is valued net of an allowance of \$6,188 as of March 31, 2015. The Company does not have any work in progress.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



Recent Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had, nor is expected to have a material impact on the Company's financial position, or statements.

**NOTE 3 - SIGNIFICANT EVENTS**

Settlement of Litigation

The Company received 1,127,742 shares of its common stock in settlement of litigation valued at \$0.922 per share. As part of the settlement the Company forgave a \$50,000 note receivable resulting in a gain on settlement of litigation of \$989,778.

Common Stock Transactions

During the three months ended March 31, 2015, the Company issued 73,887 common shares for services valued at \$94,653. The Company also issued 200,000 common shares for debt issuance costs valued at \$226,000. The Company cancelled the 1,127,742 shares of its common stock it received in settlement of litigation.

Credit Line Payable

During the three months ended March 31, 2015, the Company borrowed \$3,000,000 on the line of credit. The line of credit is for up to \$4,000,000 subject to approval of the use of proceeds by the lender. The line of credit accrues interest at 12% per annum and is secured by the Sumter Heat and Power CHP plant and the Melga Solar Project. The Company received net proceeds of \$2,911,700 after closing costs. The Company has issued 400,000 shares of Class D convertible preferred stock as tertiary collateral for the line of credit. The \$88,300 of fees withheld from the proceeds of the line of credit are included in prepaid expenses and are being amortized over the term of the line of credit.

Related Party Notes Payable

The related party notes payable, totaling \$1,333,147, are due on demand, accrue interest at 12% per annum and are unsecured.



**BLUE EARTH, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

**NOTE 3 - SIGNIFICANT EVENTS (continued)**

CHP Plant Energized

On March 30, 2015 the Company energized its initial combined heat and power ( CHP ) energy plant at a poultry processing facility in Sumter, South Carolina. The Company owns and operates the energy plant which provides combined heat and power (CHP) solutions. Electricity is generated and the thermal heat from the generator is captured and utilized for processes in the poultry facility, lowering energy costs, reducing greenhouse gas emissions and improving energy efficiency.

Convertible Note Payable

During the three months ended March 31, 2015, the Company borrowed \$10,000,000 on a convertible note payable. The note payable was convertible into shares of the Company s common stock at \$1.02 per share, as amended. The convertible note payable accrued interest at 12% per annum and was due on September 10, 2015. The convertible note payable is secured by all the assets of the company except for the Sumter Heat and Power CHP plant and the Melga Solar Project and is also guaranteed by each of the Company s Subsidiaries, other than the two just mentioned. The Company received net proceeds of \$9,953,068 after closing costs. The \$46,932 in legal fees withheld from the loan proceeds are included in prepaid expenses and are being amortized over the 6 month term of the convertible note payable.

The lender received 200,000 shares of common stock as consideration for making the loan valued at \$226,000. The lender also received 2,000,000 warrants to purchase shares of the Company s common stock at \$1.02 per share, as amended. The value of the warrants measured by The Company was \$1,321,600. The value was computed using the Black-Scholes formula with a 5 year maturity, 1.62% risk free rate and a 94.46% volatility. The lender also received the right to purchase shares of the Company s common stock at \$1.02 per share, as amended, upon the Company s repayment of all or part of the convertible note payable. The value of the right to purchase common shares measured by the Company was \$649,091. The value was computed using the Black-Scholes formula with a 1 year maturity, .25% risk free rate, a 87.06% volatility and a 5% probability of exercise. The total discount on the convertible note payable of \$2,196,691 is being amortized over the 6 month term of the debt. The Company recorded \$222,763 of interest expense from the amortization of the discount during the quarter ended March 31, 2015.

The following is a summary of convertible note payable the period ended March 31, 2015:

Balance at December 31, 2014	\$	--
Borrowing of convertible note payable		10,000,000
Discount on convertible note payable		(2,196,691)
Amortization of discount		222,763
Balance at March 31, 2015	\$	8,026,072

Series D Preferred Stock

The Company has issued 400,000 shares of its \$10.00 per share Series D preferred stock as tertiary collateral against the line of credit. The Series D preferred shares are issued, but not presently outstanding. The Series D preferred shares certificate is held by a third party and the lender does not have access to the certificate without the consent and cooperation of the Company.

Solely in the event of a default by the Company of its payment obligations under the terms of the line of credit, a block of the Series D preferred shares would be released and converted into common shares in accordance the formula provided in the line of credit agreement. The sufficient common shares would be sold by the lender to cure the default. Upon the repayment of the line of credit the Series D preferred stock will be returned to the Company and cancelled

**BLUE EARTH, INC. AND SUBSIDIARIES**

## Notes to Condensed Consolidated

## Financial Statements

(Unaudited)

**NOTE 4 - STOCK PURCHASE WARRANTS AND OPTIONS**

A summary of the Company's warrant activity during the periods ended March 31, 2015 and December 31, 2014 is presented below:

	No. of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, December 31, 2013	22,660,668	\$ 1.90	6.52	\$ 43,055,269
Granted	200,000	\$ 0.00	10.00	
Granted	100,000	\$ 1.00	10.00	
Granted	8,521,654	\$ 6.00	3.00	
Cancelled	(3,600,000)	\$ (1.18)	--	
Forfeited	(1,472,060)	\$ (1.90)	--	
Exercised	(9,778,344)	\$ (1.60)	--	
Balance Outstanding, December 31, 2014	16,631,918	\$ 3.80	5.29	\$ 53,353,862
Granted	2,000,000	\$ 1.00	5.00	
Balance Outstanding, March 31, 2015	18,631,918	\$ 3.26	4.66	\$ 60,727,862
Exercisable, March 31, 2015	16,474,775	\$ 3.41	4.19	\$ 56,203,004

A summary of the Company's option activity during the periods ended March 31, 2015 and December 31, 2014 is presented below:

	No. of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, December 31, 2013	1,011,290	\$ 1.85	8.22	\$ 1,851,695
Granted	1,500,000	\$ 2.00	10	
Granted	150,000	\$ 3.00	10	
Granted	120,000	\$ 2.45	10	

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Granted	60,000	\$	2.27	10	
Granted	105,000	\$	3.10	10	
Granted	60,000	\$	2.45	10	
Granted	100,000	\$	2.54	10	
Granted	10,000	\$	1.29	10	
Granted	52,720	\$	1.37	10	
Granted	5,000	\$	0.75	10	
Forfeited	(492,119)	\$	3.37	--	
Exercised	(85,024)	\$	1.36	--	
Balance Outstanding, December 31, 2014	2,596,867	\$	2.54	8.82	6,596,037
Granted	30,000	\$	1.20	10	
Granted	100,000	\$	1.01	10	
Granted	12,500	\$	1.21	10	
Forfeited	(53,513)	\$	2.56	--	
Balance Outstanding, March 31, 2015	2,685,854	\$	2.07	8.66	\$ 5,562,931
Exercisable, March 31, 2015	1,377,944	\$	1.96	8.26	\$ 2,606,233

**BLUE EARTH, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company follows the provisions of ASC 820 for fair value measurements of all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the financial statements on a recurring basis. The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standard established a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

There were no changes in the valuation techniques during the periods ended March 31, 2015 and December 31, 2014. The estimated fair value of certain financial instruments, including cash and cash equivalents and current liabilities, are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

Assets:

On December 15, 2014, the Company purchased 639.25 natural gas option contracts for \$2,429,150, to mitigate its exposure to fluctuations in natural gas price in connection with its CHP facility in Alberta, Canada. The gas delivery dates range from January 1, 2016 to December 31, 2022. At each reporting date the Company revalues the options to the NYMEX-NG last trade value. The Company recorded a loss of \$166,271 and \$-0- for the three months ended March 31, 2015 and 2014, respectively, on the value of contracts.

Assets measured at fair value on a recurring and non-recurring basis consisted of the following at March 31, 2015:

	Total Carrying			
	Value at			
Liabilities:	March 31, 2015	(Level 1)	(Level 2)	(Level 3)
Natural gas futures	\$ 2,259,995	\$ 2,259,995	\$ -	\$ -

The following is a summary of activity of Level 1 assets for the periods ended March 31, 2015 and December 31, 2014:

Balance at December 31, 2013		--
Purchases of futures contracts		2,429,150
Change in fair value 2014		(2,884)
Balance at December 31, 2014	\$	2,426,266
Purchases of futures contracts		--
Change in fair value 2015		(166,271)
Balance at March 31, 2015	\$	2,259,995



**BLUE EARTH, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

**NOTE 6 - PROPERTY AND EQUIPMENT**

The major classes of assets as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Office and computer equipment	\$ 343,915	\$ 327,023
Software	91,256	91,256
Manufacturing and installation equipment	455,150	442,450
Leasehold improvements	759,304	759,304
Cogeneration plants (under construction)	63,091,360	56,022,580
Sub Total	64,740,985	57,642,613
Accumulated Depreciation	(859,504)	(826,987)
Net	\$ 63,881,481	\$ 56,815,626

Depreciation expense was \$32,543 and \$27,622, for the three months ended March 31, 2015 and 2014, respectively. Approximately \$64,740,985 of the Company's property and equipment serves as security against its long-term debt. Depreciation of the cogeneration plants will commence when the plants are placed in service during the second quarter of 2015.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**Equipment Purchase Commitments

The Company has entered into equipment purchase agreements whereby it has committed to paying approximately \$19,629,081 for electrical co-generation equipment. The Company has made deposits of approximately \$8,079,699 (41% of the total commitment) toward the purchase of the equipment which is included in construction in progress-property and equipment. The balance of the purchase price will be due upon acceptance of the equipment by the Company in accordance with progress payments as set out in the purchase contracts.

Arbitrations

During 2014, the Company and two consultants filed demands for arbitration with the American Arbitration Association. On August 8, 2015, the Company and two consultants received the award from the arbitrator in the Company's arbitration with two of its consultants/former employees, who had voluntarily resigned. The arbitrator awarded the two consultants damages of \$1,270,000; \$101,243 for breach of contract; certain declaratory relief upholding the validity of the consulting agreement; and reimbursement of the consultants' attorney's fees and costs incurred in the arbitration of \$341,375. The award is a Type 1 subsequent event accordingly the Company's financial statements are restated to reflect the award on a retroactive basis.

During 2014 the Company filed a demand for arbitration with the American Arbitration Association and National Energy Partners LLC ( NEP ) and its subsidiary, Hawaii Solar LLC ( HS ) counterclaimed. The Company subsequently initiated two actions in the First Circuit Court of the State of Hawaii, the first titled Xnergy and Blue Earth, Inc. vs. Hawaii Solar, LLC. National Energy Partners, LLC, et al., Civil No. M-1-1694-08 (JHC) (the Xnergy Action ) and the second titled Blue Earth Solar, Inc. vs. State of Hawaii, Department of Education, et al.(the DOE Action ). The parties agreed to attempt to resolve their dispute through arbitration administered by Dispute Prevention and Resolution ( DPR Arbitration ). On August 30, 2015, the parties to the above Xnergy Action, DOE Action and DPR Arbitration entered into a Settlement Agreement and Release and a Lock-Up/Leak-Out Agreement conditioned upon subsequent Board of Directors approval by the Company which was obtained on September 3, 2015. The Settlement Agreement provides for the Company to: (a) pay \$500,000 to HS (a portion of which will be paid by the Company's insurance carrier), and (b) issue shares valued at \$325,000 at a price of \$0.88 per share to be registered with the SEC within sixty (60) days of the issuance of the shares. Pursuant to the terms and conditions of the Lock-Up/Leak-Out Agreement, all shares will be restricted for six (6) months, unless registered sooner and upon registration or expiration of the six-month period, seller may sell up to 10,000 shares per day and 50,000 shares per week on a non-cumulative basis.

**BLUE EARTH, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

**NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued)**

The parties exchanged mutual releases and will dismiss all claims upon payment to HS. The settlement is a Type 1 subsequent event accordingly the Company's financial statements are restated to reflect the award on a retroactive basis.

Pending Litigation

On October 24, 2014, a purported class action lawsuit was filed against the Company, two executive officers, and one non-executive officer in the U.S. District Court for the Central District of California (Case No:2:14-cv-08263). On January 21, 2015, the court appointed a Lead Plaintiff and Lead Plaintiff's Counsel. The Court also re-captioned the case In re Blue Earth, Inc. Securities Litigation, File No. CV 14-8263 DSF (JEMx). On March 13, 2015, plaintiff filed a First Amended Complaint (FAC). The FAC alleges claims under Sections 10(b) and 20(a) of the Exchange Act, and a purported class of purchasers of the Company's stock during the period from October 7, 2013 through October 21, 2014. Defendants responded and filed a motion to dismiss FAC. Plaintiff's opposition to the motion has been submitted and Defendants have submitted a reply to the opposition. Oral arguments regarding the motion to dismiss are scheduled for October 2015. The Company believes the claims contained in the FAC are without merit and is vigorously defending the matter.

On August 31, 2015, a derivative lawsuit was filed in Nevada state court, captioned Powell v. Cagan, et al., No. A-15-723839-C (8th Judicial District Court, Clark County, Nevada). It names as defendants Brett Woodard, Johnny R. Thomas, John C. Francis, and the entire Board of Directors. It also names the Company as a nominal defendant. The complaint brings claims for breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, from October 2013 to the present based on directors and management allegedly allowing the company to make false and misleading statements to the public, thereby resulting in a class action lawsuit and exposing the Company to damages. The defendants have not yet been served. The Company believes the claims contained in the complaint are without merit and will vigorously defend this matter.

**NOTE 8 - OPERATING SEGMENTS**

Operating segments are defined as components of an enterprise about which separate and discreet financial information is available and is evaluated regularly by the chief operating decision-maker in assessing performance and determining how to best allocate Company resources. The Company's chief operating decision makers direct the allocation of resources to operating segments based on the business plan, budgets, profitability and cash flows of each respective segment.

The Company has two principal operating segments: (1) technology and (2) construction of energy facilities owned by third parties. During the second quarter of 2015, a third segment will be introduced when energy is produced from facilities built and owned by the Company. These operating segments were delineated based on the nature of the products and services offered.

The Company evaluates the financial performance of the respective segments based on several factors, of which the primary measure is business segment income before taxes. All significant intercompany transactions and balances have been eliminated. No restatement of prior period operating segments is necessary. The following tables show the operations of the Company's reportable segments for the three months ended March 31, 2015 and 2014:

	Technology	Construction	Corporate	Consolidated
<b>March 31, 2015</b>				
Revenues	\$ 53,853	\$ 3,698,161	\$ --	\$ 3,752,014
Cost of sales	43,760	3,378,584	--	3,422,334
Depreciation and amortization	347,587	472,079	261,913	1,081,579
General and administrative	662,887	1,504,472	2,909,020	5,076,380
Other income (expense)	--	7,537	175,996	183,533
(Loss) continued operations	\$ (1,000,381)	\$ (1,649,438)	\$ (2,994,937)	\$ (5,644,756)
Total assets	\$ 2,278,206	\$ 93,966,137	\$ 13,984,245	\$ 109,633,588

**BLUE EARTH, INC. AND SUBSIDIARIES**

## Notes to Condensed Consolidated

## Financial Statements

(Unaudited)

**NOTE 8 - OPERATING SEGMENTS (continued)**

	Technology	Construction	Corporate	Consolidated
<b>March 31, 2014</b>				
Revenues	\$ 52,859	\$ 1,826,309	\$ --	\$ 1,879,168
Cost of sales	50,218	1,201,408	--	1,251,626
Depreciation and amortization	127,206	469,065	352,549	948,820
General and administrative	295,049	972,515	3,757,344	5,024,908
Other income (expense)	(53,563)	61,309	(225,578)	(217,832)
(Loss) continued operations	\$ (473,177)	\$ (755,370)	\$ (4,335,471)	\$ (5,564,018)
Total assets	\$ 1,033,867	\$ 7,216,209	\$ 79,942,616	\$ 88,192,692

**NOTE 9 - RESTATED FINANCIAL STATEMENTS**

The Company has restated its financial statements to present on a retroactive basis the effect of several Type 1 subsequent events including the resolution of certain litigation and the discontinuance of a significant component of its operations. This restatement is prepared in accordance with Topic 13 of the Financial Reporting Manual of the Securities and Exchange Commission due to Company's outstanding Form S-3.

The restated financial statements reflect the accrual of \$2,437,618 of losses associated with the settlement of litigation subsequent to December 31, 2014 on a retroactive basis as of and for the year ended December 31, 2014. The restated financials also reflect the reclassification of the assets, liabilities and operations of BEEMS to discontinued operations.

The following table presents a summarized comparison of the original consolidated balance sheets to the restated balance sheets:

**BLUE EARTH, INC. AND SUBSIDIARIES**

## Consolidated Balance Sheets

March 31,      March 31,      December 31,      December 31,

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<u>ASSETS</u>	2015 (restated) (unaudited)	2015 (original) (unaudited)	2014 (restated)	2014 (original)
CURRENT ASSETS	\$ 13,126,280	\$ 14,219,297	\$ 11,362,284	\$ 12,445,816
Total Current Assets	14,229,339	14,229,339	12,583,915	12,583,915
PROPERTY AND EQUIPMENT, net	63,881,481	64,038,057	56,815,626	56,982,778
ASSETS OF DISCONTINUED OPERATIONS	1,103,059	-	1,221,631	-
OTHER ASSETS	31,522,768	31,971,848	32,744,205	33,310,767
Total Other Assets	31,522,768	31,522,768	32,744,205	32,744,205
 TOTAL ASSETS	 \$ 109,633,588	 \$ 110,229,202	 \$ 102,143,746	 \$ 102,739,361
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
CURRENT LIABILITIES	\$ 19,928,445	\$ 17,429,348	\$ 8,768,624	\$ 6,264,617
LONG TERM LIABILITIES	-	61,477	-	66,387
STOCKHOLDERS' EQUITY				
Preferred stock; 25,000,000 shares authorized at \$0.001 par value, 400,000 and -0- shares issued and -0- and -0- shares outstanding, respectively	400	400	-	-
Common stock; 500,000,000 shares authorized at \$0.001 par value, 93,404,858 and 94,258,713 shares issued and outstanding, respectively	93,405	93,405	94,259	94,259
Additional paid-in capital	190,797,290	190,797,290	188,159,932	188,159,932
Accumulated deficit	(101,185,952)	(98,152,718)	(94,879,069)	(91,845,834)
Total Stockholders' Equity	89,705,143	92,738,377	93,375,122	96,408,357
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$ 109,633,588	 \$ 110,229,202	 \$ 102,143,746	 \$ 102,739,361

**BLUE EARTH, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

**NOTE 9 - RESTATED FINANCIAL STATEMENTS (continued)**

The following table presents a summarized comparison of the original consolidated balance sheets to the restated statements of Operations:

**BLUE EARTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended March 31,			
	2015 (restated)	2015 (original)	2014 (restated)	2014 (original)
REVENUES	\$ 3,752,014	\$ 5,132,664	\$ 1,879,168	\$ 3,234,217
COST OF SALES	3,422,344	3,976,307	1,251,626	1,788,309
GROSS PROFIT	329,670	1,156,357	627,542	1,445,908
OPERATING EXPENSES	6,157,959	7,637,595	5,973,728	6,908,959
LOSS FROM OPERATIONS	(5,828,289)	(6,481,238)	(5,346,186)	(5,463,051)
OTHER INCOME (EXPENSE)	183,533	174,354	(217,832)	(223,409)
LOSS BEFORE INCOME TAXES	(5,644,756)	(6,306,884)	(5,564,018)	(5,686,460)
INCOME TAX EXPENSE	-	-	-	-
LOSS FROM CONTINUING OPERATIONS	(5,644,756)	(6,306,884)	(5,564,018)	(5,686,460)
GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS,				
net of income taxes of \$0	-	-	-	-
	(662,127)		(122,442)	

GAIN (LOSS) FROM  
DISCONTINUED  
OPERATIONS,

net of income taxes of \$0

NET LOSS	(6,306,883)	(6,306,884)	(5,686,460)	(5,686,460)
PREFERRED DIVIDENDS	-	-	(392,888)	(392,888)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (6,306,883)	\$ (6,306,884)	\$ (6,079,348)	\$ (6,079,348)
BASIC AND DILUTED LOSS PER SHARE				
Continuing Operations	\$ (0.06)	\$ (0.07)	\$ (0.09)	\$ (0.09)
Discontinued Operations	(0.01)	-	(0.00)	-
Net Loss Per Share	\$ (0.07)	\$ (0.07)	\$ (0.10)	\$ (0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC AND DILUTED				
	94,311,979	94,311,979	61,928,226	61,928,226

**NOTE 10 - SUBSEQUENT EVENTS**

On April 9, 2015, the Company issued 12,500 shares of its common stock for director fees. On April 20, 2015, the Company issued 168,700 shares of its common stock under a Mutual and General Release Agreement with the landlord of the former offices of Blue Earth Solar, Inc. On April 22, 2015 the Company issued 250,000 shares of its common stock for consulting services.

In accordance with ASC 855-10, the Company's management has reviewed all material events and there are no additional material subsequent events to report.





## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **Forward-Looking Statements**

The information in this report contains forward-looking statements. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as believes, estimates, could, possibly, probably, anticipates, expects, may, will, or should or other variations or similar words. All statements other than statements of historical facts included in this report are forward-looking statements. These statements relate to future events or to the Company's future financial performance, and involve known and unknown risks, 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 these forward-looking statements. Readers should not place any undue reliance on forward-looking statements since they involve known and unknown, uncertainties and other factors which are, in some cases, beyond the Company's control which could, and likely will, materially affect actual results, levels of activity, performance or achievements. Any forward-looking statement reflects the Company's current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to operations, results of operations, growth strategy and liquidity. Such risks, uncertainties and other factors, which could impact the Company and the forward-looking statements contained herein are included in the Company's filings with the Securities and Exchange Commission. The Company assumes no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

### **LITIGATION DISCLOSURE STATEMENT**

False allegations have been made against the Company by an anonymous blogger that stated he has a short position in the Company's common stock, which has resulted in a class action lawsuit. The Company has hired professionals to assist in communications and defense against the false allegations. Management has been advised by counsel to continue to announce significant developments and milestones as they occur. However, management has also been cautioned to avoid forecasts and detailed forward-looking statements for all of our solar, technology and CHP business units. Our general policy will be to release information as appropriate when significant events occur that define the event in the context of our business model. Management continues to have confidence in our business model and in our ability to create shareholder value over time.

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

## Company Overview

Blue Earth, Inc. and subsidiaries (the Company) is a comprehensive provider of alternative/renewable energy solutions for small and medium sized commercial facilities and industrial facilities. The Company also owns, manages and operates independent energy generation systems constructed in conjunction with these services.

The Company has expanded its comprehensive energy solutions offerings through strategic acquisitions of companies that have been providing energy solutions to an established customer base or have developed a proprietary technology that can be utilized by our customers to improve equipment reliability, reduce maintenance costs and provide a better overall operating environment. The acquired companies' operational activities are being conducted through the following five business units: Blue Earth Solar, Blue Earth CHP, Blue Earth PPS, Blue Earth Capital and Blue Earth EPS. Blue Earth EPS and Blue Earth PPS are part of the Technology operating segment. Blue Earth Solar and Blue Earth CHP are part of the Construction operating segments. As energy sales come online from facilities owned and built by the Company's Blue Earth Solar or Blue Earth CHP business units, a third operating segment will be introduced. The primary strategic objective for the respective business units is to provide services which establish and build brand awareness about the comprehensive energy efficiency and alternative/renewable solutions provided by the Company to its existing and future customers.

The Blue Earth Solar unit of the Company has built and owned a 500,000 watt solar powered facility on the Island of Oahu, Hawaii, which it sold in 2014. It has also built, operates and manages seven solar powered facilities in California and is designing and permitting numerous other projects. Our turnkey energy solutions enable our customers to reduce or stabilize their energy related expenditures and lessen the impact of their energy use on the environment. Our services offered include the development, engineering, construction, operation and periodic warranty maintenance and in certain cases, financing of small and medium scale alternative/renewable energy plants including solar photovoltaic (PV), Combined Heat and Power ( CHP ) or on-site cogeneration and fuel cells. Although the Company has a limited operating history and limited revenues in comparison to the size of the projects it has undertaken, as a result of the Company's acquisitions, it is staffed with experienced CHP personnel.

The Blue Earth CHP unit builds, owns, operates and/or sells the energy plants or build them for the customer to own. As we continue to expand our core energy services business as an independent energy producer, we intend to sell the electricity, hot water, heat and cooling generated by the power plants that we own under long-term energy purchase agreements to utilities and long-term take or pay contracts to our industrial customers. The Company also intends to finance alternative and renewable energy projects through industry relationships. Blue Earth CHP recently added personnel and facilities enabling it to develop, construct and maintain backup generators and cogeneration systems in the New York metropolitan area. It plans to grow the segment into other East Coast and Mid-West metropolitan markets. This broadens BE CHP's offerings to include co-generation systems and back-up generators for large commercial buildings in addition to the large industrial manufacturing facilities already served by BE CHP.

Proprietary technologies owned by the Company are the PeakPower® System (Blue Earth PPS unit) and the UPStealth® System (Blue Earth EPS unit). The PeakPower® System is a patented demand response, cloud based technology, that allows remote, wireless monitoring of refrigeration units, lighting and heating, ventilation and air conditioning with a potential market of thousands of facilities, such as super markets and food processing, restaurants and C-stores, drug and discount stores. Revenues are expected to ramp up in 2015, as the Company is making some system changes before a commercial roll out later in 2015. The technology enables the Company's business unit, Blue Earth PPS, to provide energy monitoring and control solutions with real-time decision support to protect our customers' assets by preventing costly equipment failures and food product losses. Our PeakPower® System also serves as a platform to enter into long-term services agreements that allow most types of refrigeration equipment failures to be predicted, thereby enabling preventive servicing based on need rather than periodic, unscheduled and costly service calls.

Management believes based on its knowledge of the industry, that the patent pending UPStealth® System is the only energy efficient, intelligent Nickel Zinc digital battery backup management system that was designed to power signalized traffic intersections during loss of utility power. This system has been tested, approved and installed in several cities and municipalities throughout the United States. The UPStealth® System is designed as an alternative to lead-acid battery backup systems, enabling the Company's business unit, Blue Earth EPS, to provide its customers with an environmentally friendly product that is completely recyclable with no issues of hazardous out-gassing, corrosion, flammable or explosive characteristics. The innovative UPStealth® battery backup management system can be formed in various configurations that allow the intelligent battery to bend around corners and fit into spaces that cannot be accessed by traditional battery backup systems. Compared to lead-acid battery backup systems, the total cost of ownership for the UPStealth® is typically less, requires less maintenance, performs several years longer, and eliminates costly hazardous disposal issues. We also offer a finance program, which allows cities and municipalities to

replace existing systems without capital expenditures.

There are several other market verticals where we believe both of our proprietary technologies can be applied, separately, or in combination, as a viable, cost effective solution. Examples include: back-up energy storage systems for data centers, oil and natural gas wells, remote cell towers, risk management services, and demand response systems to decrease energy usage during peak load pricing periods charged by utilities.

### **Actual Results of Operations**

Our revenues are derived from professional service contracts to provide energy efficient solutions and technology, and the construction of energy facilities owned by third parties. By the second quarter of 2015 we expect to add a third revenue stream from energy sales generated from facilities built and owned by the Company.

**Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014*****Revenues (Continuing Operations)***

The Company recognized \$3,752,014 of revenue for the three months ended March 31, 2015, as compared to \$1,879,168 for the three months ended March 31, 2014, an increase of \$1,872,846 or 99.7%. The current year's revenues represent sales from the Company's divisions Technology (\$53,853) and Construction (\$3,698,161). The prior year's revenues represent sales from the Company's divisions Energy Efficiency and Technology (\$52,859) and Construction (\$1,826,309). Technology sales include the UPStealth® battery backup management systems.

Construction sales are from installation of alternative energy systems and installation and maintenance of HVAC systems. Technology's revenues were affected by a new contract with a national chain of convenience stores, increase in website sales, and sales of UPStealth® battery backup management systems. Construction's revenues increased due to work on the solar generation project in Indiana.

	Three Months Ended		Change	
	2015	March 31, 2014	\$	%
Technology				
Battery backup systems	\$ 53,853	\$ 52,859	994	3
Construction				
Solar construction	3,698,161	1,826,309	1,871,852	102
Total revenue	\$ 3,752,014	\$ 1,879,168	1,872,847	100

***Cost of Sales and Gross Profit***

Costs of sales for the three months ended March 31, 2015 were \$3,422,344 resulting in a gross profit of \$329,670 or 8.8% of revenues. Technology had a gross profit of \$10,093 or 18.7% compared to a profit of \$319,577 or 8.6% for Construction. By comparison, during 2014 we had a cost of sales of \$1,251,626 with a gross profit of \$627,542 or 33.4%. Technology had a gross profit of \$2,641 or 5.0% compared to \$624,901 or 34.2% for Construction.

***Operating Expenses******General and Administrative Expenses and Depreciation and Amortization Expense***

Operating expenses were \$6,157,959 for the three months ended March 31, 2015 as compared to \$5,973,728 for the three months ended March 31, 2014, an increase of \$184,231 or 3.1%. In 2015, approximately \$1,010,473 (16.4%) of the operating expenses were from Technology and \$1,976,552 (32.1%) were from Construction. The balance of \$3,170,934 (51.5%) for 2015 was corporate administrative expense. Approximately \$507,159 (8.2%) of the operating expenses was for payroll costs and \$695,448 (11.3%) was for consulting and professional fees in 2015. The increase in operating expenses for 2015 was primarily due an increase in payroll costs and professional fees as a result of higher stock based compensation costs.

In 2014 approximately \$422,255 (7.1%) of the operating expenses were from Technology and \$1,441,580 (24.1%) were from Construction. The balance of \$4,109,893 (68.8%) for 2014 was corporate administrative expense. Approximately \$1,381,467 (23.4%) of the operating expenses was for payroll costs and \$1,539,497 (26.0%) was for professional fees in 2014.

In 2015, operating expenses include stock compensation expense of \$1,705,991 (27.7%) compared to \$1,860,269 (31.5%) in 2014. We recorded depreciation and amortization expense of \$1,081,579 in 2015 compared to \$948,820 in 2014. The increase was due to the amortization of the purchase price of Blue Earth Capital, Inc. which was purchased in 2014.

We expect our costs for personnel, consultants and other operating expenses to increase as we implement our business plan. Thus, our general and administrative expenses are likely to increase significantly in future reporting periods.

***Other Income (Expense)***

Total other income (expense) for the three months ended March 31, 2015 was \$183,533 compared to \$(217,832) for the three months ended March 31, 2014. The increase was primarily attributable to a gain of \$989,778 from the settlement of litigation in the first quarter of 2015 compared to \$-0- in the first quarter of 2014. The change in interest expense from \$230,007 in 2014 to \$421,341 in 2015 was due to the borrowing of a \$10,000,000 convertible note payable and a line of credit of \$3,000,000 in the first quarter of 2015.

***Net Loss***

Net loss was \$6,306,883 for the three months ended March 31, 2015 as compared with a net loss of \$5,686,460 for the three months ended March 31, 2014, an increase of \$620,423. Excluding the non cash expenses of common stock for services and amortization of intangible assets acquired for stock and stock options/warrants issued for services, the loss would have been \$3,106,571 and \$2,750,165 for 2015 and 2014, respectively. The increase is attributable primarily by interest expense related to the borrowing of \$10,000,000 in convertible debt and \$3,000,000 on the line of credit and a loss from an equity investment of \$227,560, offset in part by the gain of \$989,778 from the settlement of litigation. The net loss attributed to common shareholders was \$6,306,883 in 2015 compared to \$6,079,348 in 2014 due to the dividends accrued on the Series C preferred stock and paid in common shares. The Series C preferred shares were all converted into common shares by June 30, 2014 so no additional dividends will be incurred in the succeeding periods. The net loss translates to \$0.07 per share in 2015 compared to \$0.09 in 2014.

**Liquidity and Capital Resources as of March 31, 2015 compared with December 31, 2014**

Net cash used in continuing operating activities during the three months ended March 31, 2015 totaled \$2,331,142 and resulted primarily from the operating expenses associated with the activities of the parent company related to carrying out our business plan. In addition to a net loss of \$6,306,883, we incurred an increase in construction in progress of \$371,955 and prepaid expenses of \$291,770 that was partially offset by common stock options and warrants granted for services expensed at \$1,385,338, common stock issued for services valued at \$320,653 and depreciation and amortization of \$1,081,579. We also decreased our accounts receivable by \$1,884,942 and increased accounts payable by \$91,747. We expect to continue with a negative cash flow from operations for the foreseeable future as we continue to build our business.

Net cash used in continuing operating activities during the three months ended March 31, 2014 totaled \$1,680,141 and resulted primarily from the operating expenses associated with the activities of the parent company related to carrying out our business plan. In addition to a net loss of \$5,686,460, we incurred a decrease in accounts receivable and billings in excess of \$427,138. These outflows were partially offset by common stock warrants and options granted for services expensed at \$1,189,727, common stock issued for services valued at \$670,542, and depreciation and



amortization of \$948,820. We also increased our accounts payable and accrued expenses by \$444,207 due to costs incurred on construction in progress.

Net cash used in continuing investing activities during the three months ended March 31, 2015 totaled \$7,487,669 which included \$7,098,388 for purchases of equipment and \$400,000 invested in an equity subsidiary. Net cash used in continuing investing activities during the three months ended March 31, 2014 totaled \$1,354,475, of which \$1,353,588 was used for purchases of equipment.

Net cash provided by continuing financing activities during the three months ended March 31, 2015 totaled \$12,765,806 and resulted from \$2,911,700 of proceeds from the line of credit and \$9,953,068 of proceeds from the convertible note payable. The cash inflows were partially offset by principal payments on notes payable of \$98,962.

Net cash provided by financing activities during the three months ended March 31, 2014 totaled \$661,355. These inflows primarily came from \$1,000,000 from common stock subscriptions and \$100,857 of gross proceeds from the exercise of options and warrants. The inflows were offset by payments on notes payable of \$435,498 and notes payable to related parties of \$4,004.

At March 31, 2015, we had a working capital deficit of \$5,699,106 including \$6,090,154 in cash and cash equivalents compared with working capital of \$3,815,291 at December 31, 2014. We anticipate our revenue generating activities to continue and even increase as we execute on our alternative/renewable energy initiatives as well as from future acquisitions. The decrease in working capital was the result of our investment in CHP projects.

Our ability to execute our business plan is subject to our ability to generate profits and/or obtain necessary funding from outside sources, including by the sale of our securities, or obtaining loans from lenders, where possible. Our continued net operating losses increase the difficulty of our meeting these goals. Nonetheless, the Company expects that it has sufficient cash and borrowing capacity to meet its working capital needs for at least the next 12 months. The Company's project financing requirements are separate and apart from our working capital needs.

On February 22, 2013, we entered into a credit agreement with a \$10 million line of credit of which \$1,500,000 was funded and repaid during 2013 and \$3,000,000 was funded and repaid in 2014. \$4,000,000 is currently available upon our meeting the terms and conditions of the credit facility of which a draw of \$3,000,000 was taken on February 24, 2015. Additional draws are subject to approval of the planned use of proceeds by the lender in order to borrow against the facility. The Company has elected to not draw down any additional funds at this time. The line of credit is secured by one CHP projects and by one solar project and accrues interest at 12% per annum.

On March 9, 2015, we issued a 6 month convertible note payable for \$10,000,000. The note payable is convertible into shares of our common stock at \$1.00 per share at the noteholder's option. We granted 2,000,000 \$1.00 stock purchase warrants as consideration for the convertible note payable. The convertible note payable is secured by all of our assets except one CHP project and one solar project and accrues interest at 12% per annum.

The \$10 million Senior Convertible Note was paid on September 10, 2015. On September 10, 2015, the Company entered into a Note Purchase Agreement (the "Purchase Agreement") pursuant to which a 15% senior secured note (the "September Note") in the principal amount of \$10,600,000 was issued, due February 29, 2016 to Jackson Investment Group, LLC ("Jackson"). The September Note was issued to repay and refinance in full the 12% senior secured convertible note due September 10, 2015 and issued on March 10, 2015 (the "March Note"), including \$600,000 of accrued interest under the March Note. The September Note was issued solely as a result of unexpected construction delays outside of the parties' control at the Brooks Heat & Power CHP facility being constructed and now collateralized by the September Note.

Neither the September Note, nor interest accrued thereon, is convertible into shares of the common stock of the Company. The 2,000,000 stock purchase warrants granted to Jackson by the Company on March 10, 2015 remain unchanged and are exercisable until March 10, 2020.

Historically, we have financed our working capital and capital expenditure requirements primarily from the sales of our equity securities. We intend to seek additional equity and/or debt financing in order to implement our business plan. We raised \$22,710,411 from equity financing during the year ended December 31, 2014. We have a line of credit for \$10,000,000 of which \$4,000,000 is available and we are currently using \$3,000,000 to meet our cash needs.

Furthermore, any additional equity or convertible debt financing will be dilutive to existing shareholders and may involve preferential rights over common shareholders. Debt financing, with or without equity conversion features, may involve restrictive covenants.

### ***Related Party Transactions***

The Company had no significant related party transactions during the three months ended March 31, 2015. The Company owes \$1,333,147 plus accrued interest to a director funds borrowed in prior periods.

### ***New Accounting Pronouncements***

See Note 2 to our unaudited condensed consolidated financial statements for a discussion of recently issued accounting pronouncements.

### *Critical Accounting Estimates*

Management's discussion and analysis of financial condition and results of operations is based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including, but not limited to valuation of accounts receivable and allowance for doubtful accounts, those related to the estimates of depreciable lives and valuation of property and equipment, valuation of derivatives, valuation of payroll tax contingencies, valuation of share-based payments, and the valuation allowance on deferred tax assets.

### *Off-Balance Sheet Arrangements*

Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

N/A

## **ITEM 4. CONTROLS AND PROCEDURES.**

*Evaluation of Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow time decisions regarding required disclosure. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were ineffective in ensuring that

material information we are required to disclose in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

*Changes in Internal Control Over Financial Reporting.* During the most recent quarter ended March 31, 2015, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. There have been no substantive changes in any legal proceedings described in our Annual Report on Form 10-K for the year ended December 31, 2014; and we are not involved in any other material pending legal proceeding or litigation, except as set forth below, and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on the Company.

On October 24, 2014, a purported class action lawsuit was filed against the Company, two executive officers, and one non-executive officer in the U.S. District Court for the Central District of California (Case No:2:14-cv-08263). On January 21, 2015, the court appointed a Lead Plaintiff and Lead Plaintiff's Counsel. The Court also re-captioned the case *In re Blue Earth, Inc. Securities Litigation*, File No. CV 14-8263 DSF (JEMx). On March 13, 2015, plaintiff filed a First Amended Complaint (FAC). The FAC alleges claims under Sections 10(b) and 20(a) of the Exchange Act, and a purported class of purchasers of the Company's stock during the period from October 7, 2013 through October 21, 2014. Defendants responded and filed a motion to dismiss FAC. Plaintiff's opposition to the motion has been submitted and Defendants have submitted a reply to the opposition. Oral arguments regarding the motion to dismiss are scheduled for October 2015. The Company believes the claims contained in the FAC are without merit and is vigorously defending the matter.

On August 31, 2015, a derivative lawsuit was filed in Nevada state court, captioned *Powell v. Cagan, et al.*, No. A-15-723839-C (8<sup>th</sup> Judicial District Court, Clark County, Nevada). It names as defendants Brett Woodard, Johnny R. Thomas, John C. Francis, and the entire Board of Directors. It also names the Company as a nominal defendant. The complaint brings claims for breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, from October 2013 to the present based on directors and management allegedly allowing the company to make false and misleading statements to the public, thereby resulting in a class action lawsuit and exposing the Company to damages. The defendants have not yet been served. The Company believes the claims contained in the complaint are without merit and will vigorously defend this matter.

During 2014, the Company and two consultants filed demands for arbitration with the American Arbitration Association. On August 8, 2015, the Company and two consultants received the award from the arbitrator in the Company's arbitration with two of its consultants/former employees, who had voluntarily resigned. The arbitrator awarded the two consultants damages of \$1,270,000; \$101,243 for breach of contract; certain declaratory relief upholding the validity of the consulting agreement; and reimbursement of the consultants' attorney's fees and costs incurred in the arbitration of \$341,375. The award is a Type 1 subsequent event accordingly the Company's financial statements are restated to reflect the award on a retroactive basis.

During 2014 the Company filed a demand for arbitration with the American Arbitration Association and National Energy Partners LLC ( NEP ) and its subsidiary, Hawaii Solar LLC ( HS ) counterclaimed. The Company subsequently initiated two actions in the First Circuit Court of the State of Hawaii, the first titled Xnergy and Blue Earth, Inc. vs. Hawaii Solar, LLC. National Energy Partners, LLC, et al., Civil No. M-1-1694-08 (JHC) (the Xnergy Action ) and the second titled Blue Earth Solar, Inc. vs. State of Hawaii, Department of Education, et al.(the DOE Action ). The parties agreed to attempt to resolve their dispute through arbitration administered by Dispute Prevention and Resolution ( DPR Arbitration ). On August 30, 2015, the parties to the above Xnergy Action, DOE Action and DPR Arbitration entered into a Settlement Agreement and Release and a Lock-Up/Leak-Out Agreement conditioned upon subsequent Board of Directors approval by the Company which was obtained on September 3, 2015. The Settlement Agreement provides for the Company to: (a) pay \$500,000 to HS (a portion of which will be paid by the Company s insurance carrier), and (b) issue shares valued at \$325,000 at a price of \$0.88 per share to be registered with the SEC within sixty (60) days of the issuance of the shares. Pursuant to the terms and conditions of the Lock-Up/Leak-Out Agreement, all shares will be restricted for six (6) months, unless registered sooner and upon registration or expiration of the six-month period, seller may sell up to 10,000 shares per day and 50,000 shares per week on a non-cumulative basis. The parties exchanged mutual releases and will dismiss all claims upon payment to HS. The settlement is a Type 1 subsequent event accordingly the Company s financial statements are restated to reflect the award on a retroactive basis.

On March 27, 2015, Blue Earth, Inc. (the Company) entered into a Settlement Agreement with the Broadway Family Group, LLC (Broadway) to settle all claims brought by Broadway, as well as certain other matters (the Settlement Agreement). As previously disclosed in the Company's filings with the Securities and Exchange Commission, Broadway commenced an action in the 8th Judicial District of Nevada (Case No.: A-14-709424-C) (the Action) whereby it alleged the Company's wrongful termination of the Contractor and Services Agreement dated as of July 15, 2013 and Amended and Restated Contractor and Services Agreement, dated as of April 21, 2014 (collectively the Consulting Agreements). On July 15, 2013, Broadway and the Company entered into an Agreement and Plan of Merger (the Merger Agreement), whereby Broadway acquired 3,030,000 shares of the Company's common stock in exchange for its equity interests in Global Renewable Energy Group, Inc. Pursuant to the Consulting Agreements Broadway received 84,000 restricted shares of the Company's common stock and warrants to purchase 1,200,000 additional shares of the Company's common stock.

As of the date of the Settlement Agreement, Broadway owned 2,973,000 shares of the Company's common stock and was seeking re-issuance of warrants to purchase 1,200,000 shares of common stock, which had been cancelled when the Company terminated the Consulting Agreements. Pursuant to the terms of the Settlement Agreement, Broadway returned to the Company a total of 1,127,742 shares of the Company's common stock and relinquished any claim on the previously cancelled 1,200,000 warrants. The return of these shares to the Company, paid a \$50,000 promissory note, settled lock up violations and resolved any issues on the original issuance of the Company's shares to Broadway. Broadway retained ownership of 1,845,258 shares of the Company's common stock, all of which are subject to lock-up/leak-out provisions that prohibit Broadway from selling more than 2,600 Lock-Up Shares in any single day during the next 18 months (the Lock-Up Period) or more than 13,000 Lock-Up Shares in any single week during the Lock-Up Period. Broadway is required to submit weekly confirmations from the applicable financial institution verifying compliance with the lock-up and leak-out restrictions. In the event of any violation of the lock-up and leak out restrictions, Broadway has agreed to forfeit shares of common stock held in escrow on a one for one basis in the amount of Lock-Up Shares sold in violation of such restrictions. There are no restrictions on future share sales beyond the Lock-Up Period.

The Settlement Agreement provides the following additional terms:

.  
A mutual release of all claims by the Company and Broadway against each other.

.  
Broadway agreed that any obligations of the Company pursuant to the Consulting Agreement were terminated in all respects, including, but not limited to, the issuance of any warrants issued pursuant to the Consulting Agreements; provided, however, Broadway agreed that certain work for hire and other related obligations under the Consulting Agreements would survive.



Broadway agreed to return certain proprietary information of the Company and to certain confidentiality obligations regarding the Settlement Agreement and the Action, including Broadway and the Company's agreement not to make any public statements that imply wrongdoing on the part of the other, although the Company may make statements when required under the Federal securities laws or where required by a court of competent jurisdiction.

Broadway also agreed to indemnify the Company for any claims relating to its ownership of the Company's common stock and the Merger Agreement.

The Action was dismissed with prejudice.

In addition, in connection with this settlement, Anthony M. Santos, Esq., the attorney who wrote a previously disclosed demand letter to the Board of Directors on or about November 17, 2014, alleging certain breaches of fiduciary duties by the Company's principals, has advised the Board of Directors in writing that the alleged issues are no longer a concern or have been otherwise addressed or resolved to the shareholders' satisfaction. The letter served as a formal notice that a response is no longer necessary.

**ITEM 1A. RISK FACTORS.**

*There have been no material changes from risk factors previously reported in the Company's Form 10-K for December 31, 2014, as amended.*

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

On February 24, 2015, the Company issued: (i) 10,000 restricted shares of Common Stock to Larry Eggleston pursuant to an offer letter dated September 18, 2014 for services rendered, (ii) 63,887 restricted shares of Common Stock to Donald R. Kendall, Jr. as payment of expenses incurred from February through April 2015, and 400,000 shares of Series D Convertible Preferred Stock held by a third party and convertible solely in the event of a monetary default to TCA Global Credit Master Fund LP.

On March 9, 2015, the Company issued 200,000 restricted shares of Common Stock to Jackson Investment Group LLC ( Jackson ) as a commitment fee under a loan made pursuant to a Note and Warrant Purchase Agreement dated March 10, 2015.

The above shares were issued in transactions that were exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) of the Securities Act based on the representations and warranties contained in their investment intent letter and/or subscription agreements. No commissions were paid and no underwriter or placement agent was involved in these transactions.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

None

**ITEM 5. OTHER INFORMATION.**

None

**ITEM 6. EXHIBITS.**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification of Principal Executive Officer and Principal Financial Officer

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BLUE EARTH, INC.**

Date: October 13, 2015

By:

/s/ G. Robert Powell

G. Robert Powell

Chief Executive Officer and Interim Chief  
Financial Officer (Principal Executive  
Officer and Interim Principal Financial and  
Accounting Officer)

