

EXHIBIT G

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FORM 10-Q

BROADWIND ENERGY, INC. - BWEN

Filed: November 07, 2012 (period: September 30, 2012)

Quarterly report with a continuing view of a company's financial position

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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _____ to _____

Commission file number 0-31313



BROADWIND ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

88-0409160
(I.R.S. Employer
Identification No.)

47 East Chicago Avenue, Suite 332, Naperville, IL 60540
(Address of principal executive offices)

(630) 637-0315
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Number of shares of registrant's common stock, par value \$0.001, outstanding as of October 31, 2012: 14,110,127.

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(1) Income tax benefit is not illustrated because the Company is currently operating at a loss and an actual income tax benefit was not realized for the nine months ended September 30, 2012 and 2011. The result of the loss situation creates a timing difference, resulting in a deferred tax asset, which is fully reserved for in the Company's valuation allowance.

(2) Diluted earnings per share for the nine months ended September 30, 2012 and 2011 does not include common stock equivalents due to their anti-dilutive nature as a result of the Company's net losses for these respective periods. Accordingly, basic earnings per share and diluted earnings per share are identical for all periods presented.

As of September 30, 2012, the Company estimates that pre-tax compensation expense for all unvested share-based awards, including both stock options and RSU's, in the amount of approximately \$3,461 will be recognized through 2016. The Company expects to satisfy the exercise of stock options and future distribution of shares of restricted stock by issuing new shares of common stock.

NOTE 12 — LEGAL PROCEEDINGS

Shareholder Lawsuits

On February 11, 2011, a putative class action was filed in the United States District Court for the Northern District of Illinois, Eastern Division, against the Company and certain of its current or former officers and directors. The lawsuit is purportedly brought on behalf of purchasers of the Company's common stock between March 17, 2009 and August 9, 2010. A lead plaintiff has been appointed and an amended complaint was filed on September 13, 2011. The amended complaint names as additional defendants certain of the Company's current and former directors, certain Tontine entities, and Jeffrey Gendell, a principal of Tontine. The complaint seeks to allege that the defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, and/or Section 20(a) of the Exchange Act by issuing or causing to be issued a series of allegedly false and/or misleading statements concerning the Company's financial results, operations, and prospects, including with respect to the January 2010 secondary public offering of the Company's common stock. The plaintiffs allege that the Company's statements were false and misleading because, among other things, the Company's reported financial results during the class period allegedly violated generally accepted accounting principles because they failed to reflect the impairment of goodwill and other intangible assets, and the Company allegedly failed to disclose known trends and other information regarding certain customer relationships at Brad Foote. In support of their claims, the plaintiffs rely in part upon six alleged confidential informants, all of whom are alleged to be former employees of the Company. On November 18, 2011, the Company filed a motion to dismiss. On April 19, 2012, the Court granted in part and denied in part the Company's motion. The Court dismissed all claims with prejudice against each of the named current and former officers except for J. Cameron Drecoll and held that the plaintiffs had failed to state a claim for any alleged misstatements made after March 19, 2010. In addition, the Court dismissed all claims with prejudice against the named Tontine entities and Mr. Gendell. The Court denied the motion with respect to certain of the claims asserted against the Company and Mr. Drecoll. The Company filed its answer and affirmative defenses on May 21, 2012. On June 22, 2012, plaintiffs filed a motion for class certification which is not yet fully briefed. The Company intends to vigorously defend the remaining claims asserted against it. Between February 15, 2011 and March 30, 2011, three putative shareholder derivative lawsuits were filed in the United States District Court for the Northern District of Illinois, Eastern Division against certain of the Company's current and former officers and directors, and certain Tontine entities, seeking to challenge alleged breaches of fiduciary duty, waste of corporate assets, and unjust enrichment, including in connection with the January 2010 secondary public offering of the Company's common stock. One of the lawsuits also alleges that certain directors violated Section 14(a) of the Exchange Act in connection with the Company's Proxy Statement for its 2010 Annual Meeting of Stockholders. Two of the matters pending in the federal court were subsequently consolidated, and on May 15, 2012, the Court granted defendants' motion to dismiss the consolidated cases and also entered an order dismissing the third case. The Company has received a request from the Tontine defendants for indemnification in the derivative suits and the class action lawsuit and may receive additional requests for indemnification from Tontine and/or Mr. Gendell pursuant to various agreements related to shares owned by Tontine. The Company maintains directors and officers liability insurance; however, the costs of indemnification for Mr. Gendell and/or Tontine would not be covered by any Company insurance policy. Because of the preliminary nature of these lawsuits, the Company is not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

SEC Inquiry

In August 2011, the Company received a subpoena from the United States Securities and Exchange Commission ("SEC") seeking documents and other records related to certain accounting practices at Brad Foote. The subpoena was issued in connection with an informal inquiry that the Company received from the SEC in November 2010 arising out of a whistleblower complaint received by the SEC related to revenue recognition, cost accounting and intangible and fixed asset valuations at Brad Foote. The Company has been providing information to the SEC in response to the informal inquiry and subpoena. The Company cannot currently predict the outcome of this investigation. The Company does not believe that the resolution of this matter will have a

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material adverse effect on the Company's consolidated financial position or results of operations. The Company has received a request from Tontine for indemnification of expenses incurred in connection with an SEC subpoena and may receive additional requests for indemnification from Tontine and/or Mr. Gendell pursuant to various agreements related to shares owned by Tontine. No estimate regarding the loss or range of loss, if any, that may be incurred in connection with this matter is possible at this time.

Environmental

The Company is aware of a grand jury investigation commenced by the United States Attorney's Office, Northern District of Illinois, for potential violation of federal environmental laws. On February 15, 2011, pursuant to a search warrant, officials from the United States Environmental Protection Agency entered and conducted a search of one of Brad Foote's facilities in Cicero, Illinois, in connection with the alleged improper disposal of industrial wastewater to the sewer. Also on or about February 15, 2011, in connection with the same matter, the Company received two grand jury subpoenas requesting testimony and the production of certain documents relating to the Brad Foote facility's past compliance with certain environmental laws and regulations relating to the generation, discharge and disposal of wastewater from certain of its processes between 2004 and the present. On or about February 23, 2011, the Company received another grand jury subpoena relating to the same investigation, requesting testimony and the production of certain other documents relating to certain of the Brad Foote facility's employees, environmental and manufacturing processes, and disposal practices. The Company has produced e-mails, reports and correspondence as requested, and completed its response to these subpoenas on August 17, 2011. The Company does not currently have information as to when the investigation may be concluded, and is also conducting an internal investigation of any possible non-compliance. The Company has also voluntarily instituted corrective measures at the Brad Foote facility, including changes to its wastewater disposal practices. At this time, the Company has been advised that Brad Foote is a target of the investigation, but no fines or penalties have been suggested. There can be no assurances that the conclusion of the investigation will not result in a determination that applicable environmental, health and safety laws and regulations were violated at the Brad Foote facility. Any violations found, or any criminal or civil fines, penalties and/or other sanctions imposed could be substantial and materially and adversely affect the Company. The Company had recorded a liability of \$675 at December 31, 2010, which represented the low end of its estimate of remediation-related costs and expenses; as of September 30, 2012, those initial costs have been incurred, and additional costs have been expensed as incurred. No additional remediation related expenses are anticipated or have been accrued; however, the outcome of the investigation, the liability in connection therewith, and the impact to the Company's operations cannot be predicted at this time. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations. No estimate regarding the loss or range of loss, if any, that may be incurred in connection with this matter is possible at this time.

Other

The Company is also a party to additional claims and legal proceedings arising in the ordinary course of business. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial position or liquidity. It is possible that if one or more of the matters described above were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's cash flows in the periods the Company would be required to pay such liability.

NOTE 13 — RECENT ACCOUNTING PRONOUNCEMENTS

The Company reviews new accounting standards as issued. Although some of these accounting standards issued or effective after the end of the Company's previous fiscal year may be applicable to the Company, the Company has not identified any new standards that it believes merit further discussion. The Company believes that none of the new standards will have a significant impact on its condensed consolidated financial statements.

NOTE 14 — SEGMENT REPORTING

The Company is organized into reporting segments based on the nature of the products and services offered and business activities from which it earns revenues and incurs expenses for which discrete financial information is available and regularly reviewed by the Company's chief operating decision maker. The Company's segments and their product and service offerings are summarized below:

Towers and Weldments

The Company manufactures towers for wind turbines, specifically the large and heavier wind towers that are designed for 2 megawatt ("MW") and larger wind turbines. Production facilities, located in Manitowoc, Wisconsin and Abilene, Texas, are situated