

Kandi Technologies Group, Inc.  
Form 10-Q  
August 11, 2014

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**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 **June 30, 2014**

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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

Commission file number 001-33997

**KANDI TECHNOLOGIES GROUP, INC.**

(Exact name of registrant as specified in charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

90-0363723

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

**Jinhua City Industrial Zone**  
**Jinhua, Zhejiang Province**  
**People's Republic of China**  
**Post Code 321016**

(Address of principal executive offices)

**(86 - 579) 82239856**

(Registrant's telephone number, including area code)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

Yes  No

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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

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 August 5, 2014, the registrant had issued and outstanding 41,910,287 shares of common stock, par value \$0.001 per share.

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**PART I-- FINANCIAL INFORMATION****Item 1. Financial Statements. (Unaudited)**

**KANDI TECHNOLOGIES GROUP, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	<b>June 30, 2014 (Unaudited)</b>	<b>December 31, 2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,287,620	\$ 12,762,369
Restricted cash	-	1,636
Accounts receivable	19,218,760	31,370,862
Inventories, net of provision for slow moving inventory of \$350,231 and \$352,734 as of June 30, 2014 and December 31, 2013, respectively	17,647,686	9,187,714
Notes receivable	9,154,337	13,794,094
Other receivables	784,427	556,904
Prepayments and prepaid expenses	617,979	505,513
Due from employees	38,640	34,272
Advances to suppliers	52,841,904	8,867,074
Amount due from JV Company, net	34,507,160	2,917,592
Deferred tax	-	13,706
<b>Total Current Assets</b>	<b>146,098,513</b>	<b>80,011,736</b>
<b>LONG-TERM ASSETS</b>		
Plant and equipment, net	26,899,146	29,333,516
Land use rights, net	15,833,084	14,453,191
Construction in progress	39,235	16,356
Deferred taxes	-	81,076
Investment in associated company	-	96,838
Investment in JV Company	80,483,964	79,331,930
Goodwill	322,591	322,591
Intangible assets	618,448	659,496
<b>Total Long-Term Assets</b>	<b>124,196,468</b>	<b>124,294,994</b>
<b>TOTAL ASSETS</b>	<b>\$ 270,294,981</b>	<b>\$ 204,306,730</b>

See accompanying notes to condensed consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC.  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND STOCKHOLDERS EQUITY**

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>(Unaudited)</b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 53,695,799	\$ 22,843,143
Other payables and accrued expenses	4,747,185	2,422,613
Short-term bank loans	33,778,846	34,020,281
Customer deposits	151,051	44,404
Notes payable	12,991,864	16,683,023
Income tax payable	821,200	1,362,828
Due to employees	12,450	10,297
Due to related party	-	-
Deferred taxes	648,077	-
Financial derivate - liability	10,543,927	9,256,827
Total Current Liabilities	117,390,399	86,643,416
<b>LONG-TERM LIABILITIES</b>		
Deferred tax	1,194,426	1,009,477
Bond payable	12,991,864	13,084,724
Financial derivatives - liability	3,205,411	15,042,994
Total Long-Term Liabilities	17,391,701	29,137,195
<b>TOTAL LIABILITIES</b>	134,782,100	115,780,611
<b>STOCKHOLDERS EQUITY</b>		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 41,908,620 and 37,012,904 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	41,909	37,013
Additional paid-in capital	128,594,307	76,754,774
Retained earnings (the restricted portion is \$3,807,551 and \$3,807,551 at June 30, 2014 and December 31, 2013, respectively)	1,190,011	4,119,086
Accumulated other comprehensive income	5,686,654	7,615,246
<b>TOTAL STOCKHOLDERS EQUITY</b>	135,512,881	88,526,119
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	\$ 270,294,981	\$ 204,306,730

See accompanying notes to condensed consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC.  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE  
INCOME (LOSS)**  
**(UNAUDITED)**

	For Three Months Ended June 30,		For Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUE, NET	\$ 32,960,055	\$ 12,157,827	\$ 73,131,359	\$ 26,820,348
COST OF GOODS SOLD	(25,738,967)	(9,350,206)	(61,049,862)	(20,640,696)
GROSS PROFIT	7,221,088	2,807,621	12,081,497	6,179,652
<b>OPERATING EXPENSES:</b>				
Research and development	(971,673)	(672,491)	(2,143,930)	(1,362,156)
Selling expenses	(435,894)	(71,420)	(507,151)	(161,034)
General and administrative	(3,173,178)	(1,332,279)	(9,643,944)	(2,025,243)
Total operating expenses	(4,580,745)	(2,076,190)	(12,295,025)	(3,548,433)
INCOME (LOSS) FROM CONTINUING OPERATIONS	2,640,343	731,431	(213,528)	2,631,219
<b>OTHER INCOME (EXPENSE):</b>				
Interest (expense) income, net	(214,995)	(617,601)	(686,175)	(1,287,810)
Change in fair value of financial instruments	8,941,569	(1,082,735)	(3,372,602)	(92,339)
Government grants	153,700	49,807	153,700	49,807
Share of (loss) in associated companies	(77,187)	(15,517)	(92,992)	(29,540)
Share of (loss) profit after tax of JV	(9,526)	(10,376)	1,718,830	(10,376)
Other income, net	60,247	54,148	119,827	176,513
Total other income (expense), net	8,853,808	(1,622,274)	(2,159,412)	(1,193,745)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	11,494,151	(890,843)	(2,372,940)	1,437,474
PROVISION FOR INCOME TAXES	(337,066)	(153,457)	(556,135)	(244,901)
NET INCOME (LOSS)	11,157,085	(1,044,300)	(2,929,075)	1,192,573
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation	(717,476)	724,430	(1,928,592)	1,309,345
COMPREHENSIVE INCOME (LOSS)	\$ 10,439,609	\$ (319,870)	\$ (4,857,667)	\$ 2,501,918
<b>EARNINGS (LOSS) PER SHARE:</b>				
Basic	\$ 0.27	\$ (0.03)	\$ (0.07)	\$ 0.04
Diluted	\$ 0.27	\$ (0.03)	\$ (0.07)	\$ 0.04
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES:</b>				

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Basic	41,142,346	32,546,877	40,364,986	32,427,538
Diluted	41,254,507	32,546,877	40,364,986	32,676,702

See accompanying notes to condensed consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC.**  
**AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Six Months Ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (2,929,075)	\$ 1,192,573
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,764,984	4,245,026
Deferred taxes	924,449	337,149
Change of derivative instrument's fair value	3,372,602	92,339
Loss in investment in associated company	96,364	29,540
Share of (profit) loss after tax of JV	(1,718,830)	10,376
<b>Changes in operating assets and liabilities:</b>		
<b>(Increase) Decrease In:</b>		
Accounts receivable	11,955,855	9,073,693
Inventories	(8,544,033)	(9,822,727)
Other receivables and prepaid expenses	(231,945)	13,044
Due from employees	(2,390)	8,421
Prepayments and prepaid expenses	(44,194,377)	(27,114,014)
Amount due from JV	(31,680,191)	-
<b>Increase (Decrease) In:</b>		
Accounts payable	31,083,370	1,787,019
Other payables and accrued liabilities	2,344,763	475,451
Customer deposits	107,199	(246,983)
Due to related party	-	4,001,319
Income tax payable	(533,133)	(342,863)
Net cash (used in) operating activities	\$ (37,184,388)	\$ (16,260,637)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of plant and equipment	(308,838)	(54,451)
Purchases of land use rights	(1,669,648)	-
Purchase of construction in progress	(23,046)	(53,144)
Issuance of notes receivable	(21,468,326)	(1,964,278)
Repayments of notes receivable	26,020,234	-
Investment in Joint Venture Company	-	(80,026,377)
Deposit for disposal of subsidiary	-	60,019,783
Deposit for acquisition	-	(14,188,677)
Net cash provided by (used in) investing activities	\$ 2,550,376	\$ (36,267,144)

See accompanying notes to condensed consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC.  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Six Months Ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Restricted cash	\$ 1,628	\$ 4,799,980
Proceeds from short-term bank loans	16,764,023	22,407,385
Repayments of short-term bank loans	(16,764,023)	(22,407,385)
Proceeds from notes payable	13,020,600	68,184,073
Repayments of notes payable	(16,601,265)	(25,608,441)
Common stock and warrants issued	11,067,734	-
Warrant exercise	22,447,914	3,848,134
Option exercise & other financing	4,405,697	38,100
Net cash provided by financing activities	34,342,308	51,261,846
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(291,704)</b>	<b>(1,265,935)</b>
Effect of exchange rate changes on cash	(1,183,045)	(786,949)
Cash and cash equivalents at beginning of period	12,762,369	12,135,096
<b><u>CASH AND CASH EQUIVALENTS AT END OF PERIOD</u></b>	<b>\$ 11,287,620</b>	<b>\$ 10,082,212</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Income taxes paid	\$ 1,145,600	\$ 587,765
Interest paid	\$ 1,170,556	\$ 1,964,649

See accompanying notes to condensed consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC.  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES**

Kandi Technologies Group, Inc. ( Kandi Technologies ) was incorporated under the laws of the State of Delaware on March 31, 2004. Kandi Technologies changed its name from Stone Mountain Resources, Inc. to Kandi Technologies, Corp. on August 13, 2007. On December 21, 2012, Kandi Technologies changed its name to Kandi Technologies Group, Inc. As used herein, the term the Company means Kandi Technologies and its operating subsidiaries, as described below.

Headquartered in the Jinhua city, Zhejiang Province, China, the Company is one of China's leading producers and manufacturers of electrical vehicles, all-terrain vehicles, go-karts, specialized utility vehicles and a variety of other specialty vehicles for sale in the People's Republic of China (the PRC ) and global markets. The Company conducts its primary business operations through its wholly-owned subsidiary, Zhejiang Kandi Vehicles Co., Ltd. ( Kandi Vehicles ), and the partial and wholly-owned subsidiaries of Kandi Vehicles.

The Company's organizational chart is as follows:

\* The box with dotted-line border represents the entity that has ceased operation, pending dissolution.

**KANDI TECHNOLOGIES GROUP, INC.**  
**AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Operating Subsidiaries:

Pursuant to relevant agreements executed in January 2011, Kandi Vehicles is entitled to 100% of the economic benefits, voting rights and residual interests (100% profits and loss absorption rate) of Jinhua Kandi New Energy Vehicles Co., Ltd. ( Kandi New Energy ), a company in which Kandi Vehicles has a 50% interest. Kandi New Energy was established in accordance with relevant Chinese government regulations on automobile manufacturing enterprises, which prohibit foreign ownership of greater than 50%. Kandi New Energy currently holds vehicle production rights (license) on manufacturing Kandi brand electric utility vehicles ( Special-purpose Vehicles ) and production rights (license) on manufacturing battery packs used in Kandi brand EVs. Kandi New Energy supplies battery packs for Kandi brand electrical vehicles ( EVs ).

Jinhua Three Parties New Energy Vehicles Service Co., Ltd. ( Jinhua Service ) was formed as a joint venture, by and among our wholly-owned subsidiary, Kandi Vehicles, the State Grid Power Corporation and Tianneng Power International. The Company, indirectly through Kandi Vehicles, has a 30% ownership interest in Jinhua Service. As of June 30, 2014, Jinhua Service ceased its operations and will be dissolved. Jinhua Services was established in order to public charging stations for lead-acid batteries for EVs in Jinhua city. Currently, most of EV customers in Jinhua have the ability to charge their EVs by themselves. Since self-charging is more cost-effective for customers and most of its customers have switched to self-charging, Jinhua Service ceased its operations and will be dissolved.

In April 2012, pursuant to a share exchange agreement, the Company acquired 100% of Yongkang Scrou Electric Co, Ltd. ( Yongkang Scrou ), a manufacturer of automobile and electric vehicle parts. Yongkang Scrou currently manufactures and sells EV drive motors, EV controllers, air conditioners and other electrical products to the JV Company.

In March 2013, pursuant to a joint venture agreement (the JV Agreement ) entered into between Kandi Vehicles and Shanghai Maple Guorun Automobile Co., Ltd. ( Shanghai Guorun ), a 99%-owned subsidiary of Geely Automobile Holdings Ltd. ( Geely ), the parties established Zhejiang Kandi Electric Vehicles Co., Ltd. (the JV Company ) to develop, manufacture and sell EVs and related auto parts. Each of Kandi Vehicles and Shanghai Guorun has a 50% ownership interest in the JV Company. In March 2014, the JV Company changed its name to Kandi Electric Vehicles Group Co., Ltd. At present, the JV Company is a holding company with products that are manufactured by its subsidiaries.

In March 2013, Kandi Vehicles formed Kandi Electric Vehicles (Changxing) Co., Ltd. ( Kandi Changxing ) in the Changxing (National) Economic and Technological Development Zone. Kandi Changxing is engaged in the production of EVs. In fourth quarter of 2013, Kandi Vehicles entered into an ownership transfer agreement with JV Company pursuant to which Kandi Vehicles transferred 100% of its ownership in Kandi Changxing to the JV Company. The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Changxing.

In April 2013, Kandi Electric Vehicles (Wanning) Co., Ltd. ( Kandi Wanning ) was formed in Wanning City of Hainan Province by Kandi Vehicles and Kandi New Energy. Kandi Vehicles has a 90% ownership in Kandi Wanning, and Kandi New Energy has the remaining 10% interest. However, by contract, Kandi Vehicles is, effectively, entitled to 100% of the economic benefits, voting rights and residual interests (100% profits and losses ) of Kandi Wanning. Hainan Province is planned as an international tourism island by the Chinese government and there is a high possibility that all non-EV vehicles will be banned from use within the province. Therefore, the Company believes EV business has a great potential for growth in Hainan province. To capture this opportunity, the Company signed an

agreement with Wanning city government and invest a total of RMB 1 billion to develop a factory in Wanning with an annual production of 100,000 EV products. Currently, Kandi Wanning is planning to launch its trial production by 2015. According to the JV Agreement, once it becomes fully operational, the entire equity interests of Kandi Wanning will be transferred to the JV Company.

**KANDI TECHNOLOGIES GROUP, INC.**  
**AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

In July 2013, Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd. (the Service Company ) was formed. The Service Company is engaged in various pure EV leasing business. The JV Company has a 19% ownership interest in the Service Company. The Company, indirectly through its 50% ownership interest in the JV Company, has a 9.5% economic interest in the Service Company.

In November 2013, Zhejiang Kandi Electric Vehicles Jinhua Co., Ltd. ( Kandi Jinhua ) was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jinhua, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Jinhua. According to the terms of the JV Agreement, except the JV Company and its subsidiaries, Kandi Vehicle and its subsidiaries are not allowed to manufacture pure EVs. However, Kandi New Energy holds the production rights (license) on manufacturing of Special-purpose Vehicles. Therefore, it is necessary to establish Kandi Jinhua, which is in charge of the Special-purpose vehicle business and entitles to use Kandi New Energy's Special-purpose Vehicle production rights (license).

In November 2013, Zhejiang JiHeKang Electric Vehicle Sales Co., Ltd. ( JiHeKang ) was formed by the JV Company and is engaged in car sales business. The JV Company has 100% ownership interest in JiHeKang, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in JiHeKang.

In December 2013, the JV Company entered into an ownership transfer agreement with Shanghai Guorun pursuant to which the JV Company acquired 100% ownership of Kandi Electric Vehicles (Shanghai) Co., Ltd. ( Kandi Shanghai ). As a result, Kandi Shanghai is a wholly-owned subsidiary of the JV Company, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Shanghai. In January 2014, Zhejiang Kandi Electric Vehicles Jiangsu Co., Ltd. ( Kandi Jiangsu ) was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jiangsu, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Jiangsu.

The Company's primary business operations are the design, development, manufacturing and commercialization of EV products, all-terrain vehicles ( ATVs ), go-karts, and other related specialized automobiles. As part of its strategic objective to become a leader in EV products manufacturing and related services, the Company has increased its focus on fuel efficient, pure EV products with a particular emphasis on expanding its market share in China.

**NOTE 2 LIQUIDITY**

As of June 30, 2014, the Company's working capital surplus was \$28,708,114.

As of June 30, 2014, the amount of advances to suppliers was \$52,841,904, which included the advance of RMB 323 million or approximately \$52,454,650 for a prepayment by Kandi Wanning to an equipment supplier - Nanjing Shangdong Auto Technologies Co., Ltd. ( Nanjing Shangdong ) for equipment purchases. The equipment will be purchased and delivered according to the construction schedule and development of Kandi Wanning. This advance will be used to offset the equipment purchase price upon delivery.

As of June 30, 2014, the Company had credit lines from commercial banks of \$53,266,642, of which \$33,778,846 was used as of June 30, 2014.

The Company believes that its cash flows generated internally may not be sufficient to support the growth of future operations and to repay short-term bank loans for the next twelve (12) months, if needed. However, the Company

believes its access to existing financing sources and established relationships with PRC banks will enable it to meet its obligations and fund its ongoing operations.

**KANDI TECHNOLOGIES GROUP, INC.**  
**AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

The Company has historically financed its operations through short-term commercial bank loans from PRC banks. The term of these loans is typically for one year, and upon the payment of all outstanding principal and interest in a particular loan, the banks have typically rolled over the loan for an additional one-year terms, with adjustments made to the interest rate to reflect prevailing market rates. The Company believes this situation has not changed and that short-term bank loans will be available on normal trade terms if needed.

On March 24, 2014, the Company raised approximately \$11.05 million from the sale to two institutional investors of an aggregate of 606,000 shares of its common stock at a price of \$18.24 per share. As part of the transaction, the Company also issued to the investors warrants for the purchase of up to 90,900 shares of common stock at an exercise price of \$22.80 per share, which warrants have a term of 18 months from the date of issuance.

**NOTE 3 - BASIS OF PRESENTATION**

The Company maintains its general ledger and journals with the accrual method accounting for financial reporting purposes. The financial statements and notes are representations of management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States and have been consistently applied in the presentation of financial statements.

The financial information included herein for the three-month and six-month periods ended June 30, 2014 and 2013 is unaudited; however, such information reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair presentation of the Company's condensed consolidated financial statements for these interim periods.

The results of operations for the three-month and six-month periods ended June 30, 2014 are not necessarily indicative of the results expected for the entire fiscal year ending December 31, 2014.

**NOTE 4 PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements reflect the accounts of the Company and its ownership interest in following subsidiaries:

- (i) Continental Development Limited. ( Continental ) (a wholly-owned subsidiary of the Company)
- (ii) Zhejiang Kandi Vehicles Co., Ltd. ( Kandi Vehicles ) (a wholly-owned subsidiary of Continental)
- (iii) Jinhua Kandi New Energy Vehicles Co., Ltd. ( Kandi New Energy ) (a 50% owned subsidiary of Kandi Vehicles. Pursuant to relevant agreements executed in January 2011, Kandi Vehicles is entitled to 100% of the economic benefits, voting rights and residual interests of Kandi New Energy)
- (iv) Yongkang Scrou Electric. Co., Ltd ( Yongkang Scrou ) (a wholly-owned subsidiary of Kandi Vehicles)
- (v) Kandi Electric Vehicles (Wanning) Co., Ltd. ( Kandi Wanning ) (a subsidiary 10% owned by Kandi New Energy and 90% owned by Kandi Vehicles)

All inter-company accounts and transactions have been eliminated in consolidation.

**Equity Method Investees**

The consolidated net income also includes the Company's proportionate share of the net income or loss of its equity method investees.

- (vi) Zhejiang Kandi Electric Vehicles Co., Ltd. (the "JV Company") (a 50% owned subsidiary of Kandi Vehicles)

**KANDI TECHNOLOGIES GROUP, INC.  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

- (vii) Kandi Electric Vehicles (Changxing) Co., Ltd. ( Kandi Changxing ) (a wholly-owned subsidiary of the JV Company). The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest)
- (viii) Zhejiang Kandi Electric Vehicles Jinhua Co., Ltd. ( Kandi Jinhua ) (a wholly-owned subsidiary of the JV Company). The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest)
- (ix) Zhejiang JiHeKang Electric Vehicle Sales Co., Ltd. ( JiHeKang ) (a wholly-owned subsidiary of the JV Company, The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest)
- (x) Kandi Electric Vehicles (Shanghai) Co., Ltd. ( Kandi Shanghai ) (a wholly-owned subsidiary of the JV Company, The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest)
- (xi) Kandi Electric Vehicles Jiangsu Co., Ltd. ( Kandi Jiangsu ) (a wholly-owned subsidiary of the JV Company, The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest)
- (xii) Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd. (the Service Company ) (a 19% owned subsidiary of the JV Company. The Company, indirectly through its 50% ownership interest in the JV Company, has a 9.5% economic interest)
- (xiii) Jinhua Three Parties New Energy Vehicles Service Co., Ltd. ( Jinhua Service ) (a 30% owned subsidiary of Kandi Vehicles)

All intra-entity profits and losses with the Company's equity method investees have been eliminated.

**NOTE 5 USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Management makes these estimates using the best information available at the time the estimates are made; however actual results when ultimately realized could differ from those estimates.

**NOTE 6 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Economic and Political Risks**

The Company's operations are conducted in the PRC. As a result, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC economy. In addition, the Company's earnings are subject to movements in foreign currency exchange rates when transactions are denominated in Renminbi ( RMB ), which is the Company's functional currency. Accordingly, the Company's operating results are affected by changes in the exchange rate between the U.S. dollar and the RMB.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's performance may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

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**(b) Fair Value of Financial Instruments**

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

These tiers include:

- Level 1 defined as observable inputs such as quoted prices in active markets;
- Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2014, the Company's assets, measured at fair value, on a recurring basis, subject to the disclosure requirements of ASC 820, were as follows:

	Fair Value Measurements at Reporting Date Using Quoted Prices in Carrying Value as of June 30, 2014	Active Markets for Identical Assets  (Level 1)	Significant Other Observable Inputs  (Level 2)	Significant Unobservable Inputs  (Level 3)
Cash and cash equivalents	\$ 11,287,620	\$ 11,287,620	-	-
Warrants	13,749,338	-	-	13,749,338

Cash and cash equivalents consist primarily of highly-rated money market funds at a variety of well-known institutions with original maturities of three months or less. Restricted cash represents time deposits on account, some of which are used to secure short-term bank loans and notes payable. The original cost of these assets approximates fair value due to their short term maturity.

Warrants, which are accounted as liabilities, are treated as derivative instruments, which will be measured at each reporting date for their fair value using Level 3 inputs. Also see Note 6 (t).

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**(c) Cash and Cash Equivalents**

The Company considers highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

Restricted cash, as of June 30, 2014 and December 31, 2013, represented time deposits on account, some of which were used to secure short-term bank loans and notes payable. As of June 30, 2014, the Company's restricted cash was \$0.

**(d) Inventories**

Inventories are stated at the lower of cost or net realizable value (market value). The cost of raw materials is determined on the basis of weighted average. The cost of finished goods is determined on the weighted average basis and comprises direct materials, direct labor and an appropriate proportion of overhead.

Net realizable value is based on estimated selling prices less any further costs expected to be incurred for completion and selling expense. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances.

**(e) Accounts Receivable**

Accounts receivable are recognized and carried at net realizable value. An allowance for doubtful accounts is recorded in periods in which the Company determines a loss is probable, based on its assessment of specific factors, such as troubled collections, historical experience, accounts aging, ongoing business relations and other factors. Accounts are written off after an exhaustive collection effort. If accounts receivable are to be provided for, or written off, they are recognized in the consolidated statement of operations within the operating expenses line item. As of June 30, 2014 and December 31, 2013, the Company had no allowance for doubtful accounts, as per the management's judgment based on their best knowledge.

As of June 30, 2014 and December 31, 2013, the credit terms with the Company's customers were typically 90 to 120 days after delivery.

**(f) Note receivable**

Notes receivable represent short-term loans to third parties with the maximum term of one year. Interest income will be recognized according to each agreement between a borrower and the Company on an accrual basis. If notes receivable are paid back, or written off, that transaction will be recognized in the relevant year if the loan default is probable, reasonably assured and the loss can be reasonably estimated. The Company will recognize income if the written-off loan is recovered at a future date. In case of any foreclosure proceedings or legal actions being taken, the Company will provide an accrual for the related foreclosure expenses and related litigation expenses.

**(g) Prepayments**

Prepayments represent cash paid in advance to suppliers. As of June 30, 2014, prepayments included advances to raw material suppliers, mold manufacturers, and suppliers of equipment.

Advances for raw materials purchases typically are settled within two months by the Company's receipt of raw materials. Prepayment will be offset against purchase amount after equipment is delivered.

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**(h) Plant and Equipment**

Plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the assets estimated useful lives, using the straight-line method. Leasehold improvements are amortized over the life of the asset or the term of the lease, whichever is shorter. Estimated useful lives are as follows:

Buildings	30 years
Machinery and equipment	10 years
Office equipment	5 years
Motor vehicles	5 years
Molds	5 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statement of income. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

**(i) Construction in Progress**

Construction in progress represents the direct costs of construction, the acquisition cost of buildings or machinery and design fees. Capitalization of these costs ceases, and the construction in progress is transferred to plant and equipment, when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until the assets are completed and ready for their intended use.

**(j) Land Use Rights**

According to Chinese laws, land in the PRC is owned by the government and land ownership rights cannot be sold to an individual or to a private company. However, the government grants the user a land use right to use the land. The land use rights granted to the Company are being amortized using the straight-line method over the term of fifty years.

**(k) Accounting for the Impairment of Long-Lived Assets**

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review, pursuant to the guidelines established in Statement of Financial Accounting Standards ( SFAS ) No. 144 (now known as ASC 360 ). The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

During the reporting period, no impairment loss was recognized.

**(l) Revenue Recognition**

Revenue represents the invoiced value of goods sold. Revenue is recognized when the Company ships the goods to its customers and all of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectability is reasonably assured.

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When the products are transferred to the other party while the risks are transferred to it, and at that time the Company recognizes revenue.

**(m) Research and Development**

Expenditures relating to the development of new products and processes, including significant improvements to existing products, are expensed as incurred. Research and development expenses were \$971,673 and \$672,491 for the three months ended June 30, 2014 and 2013, respectively. Research and development expenses were \$2,143,930 and \$1,362,156 for the six months ended June 30, 2014 and 2013, respectively.

**(n) Government Grant**

Grants and subsidies received from the PRC Government are recognized when the proceeds are received or collectible.

For the three and six months ended June 30, 2014 and 2013, \$153,700 and \$49,807, respectively, was received by Kandi Vehicle from the PRC government.

**(o) Income Taxes**

The Company accounts for income tax using an asset and liability approach, which allows for the recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The accounting for deferred tax calculation represents the management's best estimate on the most likely future tax consequences of events that have been recognized in our financial statements or tax returns and related future anticipation. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future realization is uncertain.

**(p) Foreign Currency Translation**

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of the Company is the Renminbi (RMB). Capital accounts of the consolidated financial statements are translated into United States dollars from RMB at their historical exchange rates when the capital transactions occurred.

Assets and liabilities are translated at the exchange rates as of balance sheet date. Income and expenditures are translated at the average exchange rate of the reporting period, which rates are obtained from the website: <http://www.oanda.com>

	<b>June 30, 2014</b>	<b>December 31, 2013</b>	<b>June 30, 2013</b>
Period end RMB : USD exchange rate	6.1577	6.1140	6.1882
Average RMB : USD exchange rate	6.1441	6.1982	6.2479



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**(q) Comprehensive Income**

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income includes net income and the foreign currency translation changes.

**(r) Segments**

In accordance with ASC 280-10, *Segment Reporting* ( ASC 280-10 ), the Company's chief operating decision makers rely upon consolidated results of operations when making decisions about allocating resources and assessing performance of the Company. As a result of the assessment made by the chief operating decision makers, the Company has only one single operating segment. The Company does not distinguish between markets or segments for the purpose of internal reporting.

**(s) Stock Option Cost**

The Company's stock option cost is recorded in accordance with ASC 718 and ASC 505.

The fair value of stock options is estimated using the Black-Scholes-Merton model. The Company's expected volatility assumption is based on the historical volatility of the Company's common stock. The expected life assumption is primarily based on the expiration date of the option. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock option expense recognized is based on awards expected to vest, and there were no estimated forfeitures. ASC standards require forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates.

The stock-based option expense for the three and six months ended June 30, 2014 was \$0. See Note 18.

**(t) Warrant Cost**

The Company's warrant costs are recorded in liabilities and equities, respectively, in accordance with ASC 480, ASC 505 and ASC 815.

The fair value of a warrant, which is classified as a liability, is estimated using the Black-Scholes-Merton model and the lattice valuation model. The Company's expected volatility assumption is based on the historical volatility of the Company's common stock. The expected life assumption is primarily based on the expiration date of the warrant. The risk-free interest rate for the expected term of the warrant is based on the U.S. Treasury yield curve in effect at the time of measurement. The warrants, which are freestanding derivatives and are classified as liabilities on the balance sheet, will be measured at fair value on each reporting date, with decreases in fair value recognized in earnings and increases in fair values were recognized in expenses.

The fair value of equity-based warrants, which are not considered derivatives under ASC 815, is estimated using the Black-Scholes-Merton model. The Company's expected volatility assumption is based on the historical volatility of the

Company's common stock. The expected life assumption is primarily based on the expiration date of the warrant. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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**(u) Goodwill**

The Company allocates goodwill to reporting units based on the reporting unit expected to benefit from the business combination. The Company evaluates its reporting units on an annual basis and, if necessary, reassigns goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The Company first assesses qualitative factors to determine whether it is more likely than not that goodwill is impaired. If the more likely than not threshold is met, the Company performs a quantitative impairment test. As of June 30, 2014, the Company determined that goodwill was not impaired.

**(v) Intangible assets**

Intangible assets consist of tradenames and customer relations associated with the purchase price allocation of Yongkang Scrou. Such assets are being amortized over their estimated useful lives of 9.7 years. Intangible assets are amortized as of June 30, 2014.

**NOTE 7 NEW ACCOUNTING PRONOUNCEMENTS**

**Recent Accounting Pronouncements**

The FASB has issued Accounting Standards Update (ASU) No. 2014-07, Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements. The guidance addresses the consolidation of lessors in certain common control leasing arrangements and is based on a consensus reached by the Private Company Council (PCC). Under current U.S. GAAP, a company is required to consolidate an entity in which it has a controlling financial interest. The assessment of controlling financial interest is performed under either: (a) a voting interest model; or (b) a variable interest entity model. In a variable interest entity model, the company has a controlling financial interest when it has: (a) the power to direct the activities that most significantly affect the economic performance of the entity; and (b) the obligation to absorb losses or the right to receive benefits of the entity that could be potentially significant to the entity. To determine which model applies, a company preparing financial statements must first determine whether it has a variable interest in the entity being evaluated for consolidation and whether that entity is a variable interest entity. The new guidance allows a private company to elect (when certain conditions exist) not to apply the variable interest entity guidance to a lessor under common control. Instead, the private company would make certain disclosures about the lessor and the leasing arrangement.

Under the amendments in this ASU, a private company lessee could elect an alternative not to apply variable interest entity guidance to a lessor when:-The private company lessee and the lessor are under common control;-The private company lessee has a leasing arrangement with the lessor;-Substantially all of the activity between the private company lessee and the lessor is related to the leasing activities (including supporting leasing activities) between those two companies, and-If the private company lessee explicitly guarantees or provides collateral for any obligation of the lessor related to the asset leased by the private company, then the principal amount of the obligation at inception does

not exceed the value of the asset leased by the private company from the lessor. If elected, the accounting alternative should be applied to all leasing arrangements meeting the above conditions. The alternative should be applied retrospectively to all periods presented, and is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early application is permitted for all financial statements that have not yet been made available for issuance.

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The FASB has issued Accounting Standards Update (ASU) No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in the ASU change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide users with information about the ongoing trends in a reporting organization's results from continuing operations. The amendments in this ASU enhance convergence between U.S. GAAP and International Financial Reporting Standards (IFRS). Part of the new definition of discontinued operation is based on elements of the definition of discontinued operations in IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. The Company does not expect the adoption of 2014-08 to have a material effect on its operating results or financial position. Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

**NOTE 8 CONCENTRATIONS**

**(a) Customers**

For the six-month period ended June 30, 2014, the Company's major customers, each of whom accounted for more than 10% of the Company's consolidated revenue, were as follows:

Major Customers	Sales		Accounts Receivable	
	Six Months Ended June 30,	Six Months Ended June 30,	June 30, 2014	December 31, 2013
	2014	2013		
Kandi Electric Vehicles (Changxing) Co., Ltd.	40%	-	-	-
Shanghai Maple Auto Co., Ltd	24%	-	58%	52%
Kandi Electric Vehicles (Shanghai) Co., Ltd.	15%	-	-	-

For the three-month period ended June 30, 2014, the Company's major customers, each of whom accounted for more than 10% of the Company's consolidated revenue, were as follows:

Major Customers	Sales		Accounts Receivable	
	Three Months Ended June 30,	Three Months Ended June 30,	June 30, 2014	December 31, 2013
	2014	2013		
Kandi Electric Vehicles (Changxing) Co., Ltd.	37%	-	-	-
Shanghai Maple Auto Co., Ltd	31%	-	58%	52%
Kandi Electric Vehicles (Shanghai) Co., Ltd.	12%	-	-	-



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Both Kandi Changxing and Kandi Shanghai are wholly-owned subsidiaries of the JV Company. The Company indirectly has a 50% economic interest in each of Kandi Changxing and Kandi Shanghai through its 50% ownership interest in the JV Company. For the six months ended June 30, 2014, the Company sold \$29,573,430 and \$10,786,012 of battery packs, body parts, motors, air conditioning units, and other auto parts to Kandi Changxing and Kandi Shanghai, respectively. The balance due from both Kandi Changxing and Kandi Shanghai were included in amount due from JV Company, net on the Company's balance sheets. See Note 21.

**(b) Suppliers**

For the six-month period ended June 30, 2014, the Company's material suppliers, each of whom accounted for more than 10% of the Company's total purchases, were as follows:

Major Suppliers	Purchases		Accounts Payable	
	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	June 30, 2014	December 31, 2013
Shandong Henyuan New Energy Tech Co., Ltd.	30%	-	62%	-
Zhongju (Tianjin) New Energy Investment Co., Ltd.	15%	-	22%	-
Zhejiang Wanxiang Yineng Power Battery Co., Ltd	11%	-	21%	-

For the three-month period ended June 30, 2014, the Company's material suppliers, each of whom accounted for more than 10% of the Company's total purchases, were as follows:

Major Suppliers	Purchases		Accounts Payable	
	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	June 30, 2014	December 31, 2013
Shandong Henyuan New Energy Tech Co., Ltd.	52%	-	62%	-
Zhongju (Tianjin) New Energy Investment Co., Ltd.	15%	-	22%	-

**NOTE 9 EARNINGS (LOSS) PER SHARE**

The Company calculates earnings per share in accordance with ASC 260, *Earnings Per Share*, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the reporting period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding stock options, warrants and convertible notes (using the if-converted method). For the three months ended June 30, 2014 and 2013, the number of potentially dilutive common shares was 112,161 and 0, respectively. For the six months ended June 30, 2014 and 2013, the number of potentially dilutive common shares was 124,898 and 249,164, respectively.

The following is the calculation of earnings per share:

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	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 11,157,085	\$ (1,044,300)	\$ (2,929,075)	\$ 1,192,573

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Weighted average shares used in basic computation	41,142,346	32,546,877	40,364,986	32,427,538
Dilutive shares	112,161	-	-	249,164
Weighted average shares used in diluted computation	41,254,507	32,546,877	40,364,986	32,676,702

## Earnings (loss) per share:

Basic	\$	0.27	\$	(0.03)	\$	(0.07)	\$	0.04
Diluted	\$	0.27	\$	(0.03)	\$	(0.07)	\$	0.04

Also see Note 18.

**NOTE 10 - INVENTORIES**

Inventories are summarized as follows:

	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>(Unaudited)</b>			
Raw material	\$	2,342,942	\$	2,646,041
Work-in-progress		12,885,681		5,065,126
Finished goods		2,769,294		1,829,281
		17,997,917		9,540,448
Less: reserve for slow moving inventories		(350,231)		(352,734)
Inventories, net	\$	17,647,686	\$	9,187,714

**NOTE 11 - NOTES RECEIVABLE**

Notes receivable are summarized as follows:

	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>(Unaudited)</b>			
Notes receivable from unrelated companies:				
Due September 30, 2014, interest at 9.6% per annum <sup>1</sup>	\$	9,154,337	\$	13,794,094
		9,154,337		13,794,094

## Bank acceptance notes:

Bank acceptance notes		-		-
Notes receivable	\$	9,154,337	\$	13,794,094

Details of Notes receivable from unrelated parties as of December 31, 2013

Index	Amount (\$)	Counter party	Relationship	Purpose of Loan	Manner of settlement
1	13,794,094	Yongkang HuiFeng Guarantee Co., Ltd	No relationship beyond loan	Receive interest income	Not due

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Details of Notes receivable from unrelated parties as of June 30, 2014

Index	Amount (\$)	Counter party	Relationship	Purpose of Loan	Manner of settlement
1	9,154,337	Yongkang HuiFeng Guarantee Co., Ltd	No relationship beyond loan	Receive interest income	Not due

**NOTE 12 LAND USE RIGHTS**

Land use rights consisted of the following:

	<b>June 30, 2014</b> (Unaudited)	<b>December 31, 2013</b>
Cost of land use rights	\$ 17,774,039	\$ 16,223,208
Less: Accumulated amortization	(1,940,955)	(1,770,017)
Land use rights, net	\$ 15,833,084	\$ 14,453,191

As of June 30, 2014 and December 31, 2013, the net book value of land use rights pledged as collateral for the Company's bank loans was \$9,784,368 and \$9,983,647, respectively. Also see Note 14.

The amortization expense for the six months ended June 30, 2014 and 2013 was \$183,905 and \$175,376, respectively. The amortization expense for the three months ended June 30, 2014 and 2013 was \$94,382 and \$88,216, respectively. Amortization expense for the next five years and thereafter is as follows:

2014 (six months)	\$ 183,905
2015	367,810
2016	367,810
2017	367,810
2018	367,810
Thereafter	14,177,939
Total	\$ 15,833,084

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**NOTE 13 PLANT AND EQUIPMENT**

Plant and equipment consisted of the following:

	<b>June 30, 2014</b>		<b>December 31, 2013</b>
	<b>(Unaudited)</b>		
At cost:			
Buildings	\$ 14,483,064	\$	14,514,873
Machinery and equipment	10,902,258		10,771,899
Office equipment	271,182		251,690
Motor vehicles	292,252		288,004
Moulds	33,989,689		34,230,014
	59,938,445		60,056,480
Less : Accumulated depreciation			
Buildings	\$ (3,233,466)	\$	(3,010,451)
Machinery and equipment	(10,269,565)		(10,278,409)
Office equipment	(208,277)		(196,303)
Motor vehicles	(239,485)		(228,442)
Moulds	(18,730,291)		(16,648,583)
	(32,681,084)		(30,362,188)
Less: provision for impairment for fixed assets	(358,215)		(360,776)
Plant and equipment, net	\$ 26,899,146	\$	29,333,516

As of June 30, 2014 and December 31, 2013, the net book value of plant and equipment pledged as collateral for bank loans was \$11,046,509 and \$11,292,649, respectively.

Depreciation expense for six months ended June 30, 2014 and 2013 was \$2,540,032 and \$4,028,603, respectively. Depreciation expense for three months ended June 30, 2014 and 2013 was \$1,263,552 and \$2,026,310, respectively.

**NOTE 14 SHORT TERM BANK LOANS**

Short-term loans are summarized as follows:

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	June 30, 2014 (Unaudited)	December 31, 2013
<b>Loans from Jinhua Bank</b>		
Monthly interest only payments at 6.30% per annum, due October 10, 2014, guaranteed by Mr. Hu Xiaoming and Ms. Ling Yueping, and secured by the assets of the Company. Also see Note 12 and Note 13	\$ 1,623,983	\$ 1,635,590
Monthly interest only payments at 6.30% per annum, due December 2, 2014, guaranteed by Mr. Hu Xiaoming and Ms. Ling Yueping, and secured by the assets of the Company. Also see Note 12 and Note 13	811,991	817,795
Monthly interest only payments at 6.30% per annum, due December 2, 2014, guaranteed by Zhejiang Kangli Metal Manufacturing Company, Mr. Hu Xiaoming, Ms. Ling Yueping, Mr. Lv Qingbo and Mr. Lv Qingjiang, and secured by the assets of the Company. Also see Note 12 and Note 13	3,247,966	3,271,181
<b>Loans from Yongkang Rural Cooperative Bank</b>		
Monthly interest only payments at 0.927% per month, due January 31, 2015, guaranteed by Yongkang Sanli Metal Co., Ltd.	811,991	817,795
<b>Loans from China Ever-bright Bank</b>		
Monthly interest only payments at 6.94% per annum, due May 14, 2014, secured by the assets of the Company, guaranteed by Mr. Hu Xiaoming, Mr. Hu Wangyuan, Nanlong Group Co., Ltd. and Zhejiang Mengdeli Electric Co., Ltd. The loan was fully repaid. Also see Note 12 and Note 13.	-	12,757,606
Monthly interest only payments at 7.08% per annum, due May 11, 2015, secured by the assets of the Company, guaranteed by Mr. Hu Xiaoming, Mr. Hu Wangyuan, Nanlong Group Co., Ltd. and Zhejiang Mengdeli Electric Co., Ltd. Also see Note 12 and Note 13.	12,667,067	-
<b>Loans from Shanghai Pudong Development Bank</b>		
Monthly interest only payments at 6.60% per annum, due September 4, 2014, secured by the assets of the Company, guaranteed by Mr. Hu Xiaoming. Also see Note 12 and Note 13.	6,495,933	6,542,362
<b>Loans from Bank of Shanghai</b>		
Monthly interest only payments at 6.60% per annum, due December 27, 2014, guaranteed by Mr. Hu Xiaoming, Ms. Ling Yueping, Zhejiang Kangli Metal Manufacturing Company and Nanlong Group Co., Ltd.	4,871,949	4,906,771

**Loans from China Ever-growing Bank**

Monthly interest only payments at 7.20% per annum, due April 22, 2014, guaranteed by Mr. Hu Xiaoming, Ms. Ling Yueping, Zhejiang Shuguang industrial Co., Ltd. and Zhejiang Mengdeli Electric Company. The loan was fully repaid.	-	3,271,181
Monthly interest only payments at 7.20% per annum, due April 22, 2015, guaranteed by Mr. Hu Xiaoming, Ms. Ling Yueping, and Zhejiang Shuguang industrial Co., Ltd.	3,247,966	-
	\$ 33,778,846	\$ 34,020,281

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Interest expense for the three months ended June 30, 2014 and 2013 was \$590,979 and \$572,862, respectively, and for the six months ended June 30, 2014 and 2013 was \$1,169,626, and \$1,125,792, respectively.

As of June 30, 2014, the aggregate amount of short-term loans that was guaranteed by various third parties was \$27,282,914.

- \$12,667,067 was guaranteed by Zhejiang Mengdeli Electric Co Ltd ( ZMEC ).
- \$8,119,915, was guaranteed by Zhejiang Kangli Metal Manufacturing Company, whose bank loan of \$4,871,949 was guaranteed by the Company. Also see Note 23. \$3,247,966 of the \$8,119,915 was guaranteed by Lv Qingjiang and Lv Qingbo, two major shareholders of Zhejiang Kangli Metal Manufacturing Company. Also see Note 23.
- \$3,247,966 was guaranteed by Zhejiang Shuguang industrial Co., Ltd., whose bank loan of \$4,871, 949 was guaranteed by the Company. Also see Note 23.
- \$17,539,016 was guaranteed by Nanlong Group Co., Ltd., whose bank loans of \$9,743,898 was also guaranteed by the Company. Also see Note 23.
- \$811,991 was guaranteed by Yonnkang Sanli Metal Co., Ltd.

It is a common business practice among companies in the region of the PRC in which the Company is located to exchange guarantees for bank debt with no additional consideration given. It is considered a favor for favor business practice and is commonly required by Chinese lending banks, as in these cases.

**NOTE 15 NOTES PAYABLE**

By issuing bank note payables rather than paying cash to suppliers, the Company can defer the payments until the date the bank note payable is due. Simultaneously, the Company is required to deposit restricted cash in banks to back up the bank note payable. The restricted cash deposited in banks will generate interest income.

Notes payable are summarized as follows:

	<b>June 30,2014</b>		<b>December 31,</b>
	<b>(Unaudited)</b>		<b>2013</b>
Bank acceptance notes:			
Due March 18, 2014	\$	-	\$ 1,962,709
Due May 19, 2014			8,177,952
Due May 21, 2014			6,542,362
Due November 16, 2014		12,991,864	-
Subtotal	\$	12,991,864	\$ 16,683,023
Notes payable to unrelated companies:			
	\$	-	-
Subtotal	\$	-	-

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Total	\$	12,991,864	\$	16,683,023
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All of the bank acceptance notes do not bear interest, but are subject to bank charges of 0.05% of the principal as a commission on each transaction. Bank charges for notes payable were \$6,510 and \$13,765 for the three months ended June 30, 2014 and 2013, and were \$6,510 and \$13,765 for the six months ended June 30, 2014 and 2013.

No restricted cash was held as collateral for the notes payable as of June 30, 2014 and December 31, 2013.

**NOTE 16 BOND PAYABLE**

Due Date	Face Value	Coupon rate	Interest record date	Interest pay date
December 27, 2016	\$ 12,991,864	11.5%	December 27	December 27
Total face value	\$ 12,991,864			

On December 27, 2013, the Company issued bonds in the aggregate principal amount of RMB 80,000,000 to China Ever-bright Securities Co. Ltd. and CITIC Securities Company Limited. The bonds mature in 3 years, and the interest rate is 11.5% per annum. Bond interest is payable on December 27 in each of 2014, 2015 and 2016.

**NOTE 17 TAX**

**(a) Corporation Income Tax ( CIT )**

In accordance with the relevant tax laws and regulations of the PRC, the applicable CIT rate is 25%. However, Kandi Vehicle is qualified as a high technology company in the PRC and is entitled to pay a reduced income tax rate of 15%.

Kandi New Energy is a subsidiary of the Company and its applicable CIT rate is 25%. Yongkang Scrou is a subsidiary of the Company and its applicable CIT rate was 25%. Kandi Wanning is a subsidiary of the Company and its applicable CIT rate is 25%.

The Company has a 50% ownership interest in the JV Company and the JV Company, including each of its subsidiaries applicable CIT rate is 25%.

Kandi Vehicle qualifies as a high technology company in the PRC and is entitled to pay CIT at the reduced rate of 15%. However, as the tax policy in the PRC does not allow double tax benefits, the Company's high technology tax benefit of 10% must be reduced by the research and development tax benefits to which the Company also is entitled, which amount to 25% of an amount equal to 50% of allowable research and development expenses. For the six months ended June 30, 2014, the Company's CIT before reduction for the Company's high technology tax benefit was \$42,822, or 25% of the Company's \$171,287 taxable income for such period which reduced to \$0 after giving effect to the Company's research and development tax credit of \$42,822 was 7.32% of 50% of \$1,169,395 allowable research and development expenses) for such period. To comply with the PRC policy prohibiting double tax benefits, the Company's high technology tax benefit for the six months ended June 30, 2014 was reduced from 10% of the Company's attributed taxable income for such period, of such taxable income. Since the R&D tax credit is not refundable, the maximum R&D tax credit allowance was limited to the maximum tax due, which was \$42,822 for the six months ended June 30, 2014. The un-utilized portion of R&D tax credit will be carried forward to the next period upon fully deducted. As a result, the Company's effective income tax rate for the six months ended June 30, 2014 was 0% after the research and development credit and high technology tax reduction.

According to the PRC CIT reporting system, the CIT sales cut-off base is concurrent with the value-added tax ( VAT ), which will be reported to the State Administration of Taxation ( SAT ) on a quarterly basis. Since the VAT and CIT are accounted for on a VAT tax basis that recorded all sales on a State provided official invoices reporting system, the Company is reporting the CIT according to the SAT prescribed tax reporting rules. Under the VAT tax reporting system, sales cut-off is not done on an accrual basis but rather on a VAT taxable reporting basis. Therefore, when the Company adopted U.S. GAAP using an accrual basis, the sales cut-off CIT timing (due to the VAT reporting system) created a temporary sales cut-off timing difference. This difference is reflected in the deferred tax assets or liabilities calculations on the income tax estimate reported in the Company's Annual Report on Form 10-K.

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Effective January 1, 2007, the Company adopted ASC 740, *Income Taxes*. The interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

As of June 30, 2014, the Company did not have a liability for unrecognized tax benefits. The Company files income tax returns to the U.S. Internal Revenue Services ( IRS ) and to states in which the Company has operations. The Company is subject to U.S. federal or state income tax examinations by the IRS and relevant state tax authorities for years after 2006. During the periods open to examination, the Company had net operating loss carry forwards ( NOLs ) for U.S. federal and state tax purposes that have attributes from closed periods. Since these NOLs may be utilized in future periods, they remain subject to examination. The Company also files certain tax returns in the PRC. As of June 30, 2014, the Company was not aware of any pending income tax examinations by the PRC tax authorities. The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of June 30, 2014, the Company had no accrued interest or penalties related to uncertain tax positions. The Company has not recorded a provision for U.S. federal income tax for the six months ended June 30, 2013 due to the net operating loss carry forward in the United States.

Income tax expense (benefit) for the six months ended June 30, 2014 and 2013 is summarized as follows:

	<b>For the Six Months Ended</b>	
	<b>June 30,</b>	
	<b>(Unaudited)</b>	
	<b>2014</b>	<b>2013</b>
Current:		
Provision for CIT	\$ 556,135	\$ 244,901
Provision for Federal Income Tax	-	-
Deferred:		
Provision for CIT	-	-
Income tax expense (benefit)	\$ 556,135	\$ 244,901

The Company's income tax expense (benefit) differs from the expected tax expense for the six months ended June 30, 2014 and 2013 (computed by applying the U.S. Federal Income Tax rate of 34% and PRC CIT rate of 25%, respectively, to income before income taxes) as follows:

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	<b>2014</b>	<b>2013</b>
Computed expected expense	\$ (4,178,865)	\$ 270,920
Favorable tax rate	(442,822)	(294,960)
Permanent differences	(11,464)	31,346
Valuation allowance	4,789,286	237,595
Income tax expense (benefit)	\$ 556,135	\$ 244,901

The tax effects of temporary differences that give rise to the Company's net deferred tax assets and liabilities as of June 30, 2014 and December 31, 2013 are summarized as follows:

	<b>June 30, 2014 (Unaudited)</b>	<b>December 31, 2013</b>
Current portion:		
Deferred tax assets (liabilities):		
Expense	\$ (92,709)	\$ 47,224
Subtotal	(92,709)	47,224
Deferred tax assets (liabilities):		
Sales cut-off (CIT tax reporting on VAT tax system)	(161,556)	(33,518)
Other	(393,812)	
Subtotal	(555,368)	(33,518)
Total deferred tax assets (liabilities) - current portion	(648,077)	13,706
Non-current portion:		
Deferred tax assets (liabilities):		
Depreciation	(1,790)	81,076
Loss carried forward	4,789,286	3,992,906
Valuation allowance	(4,789,286)	(3,992,906)
Subtotal	(1,790)	81,076
Deferred tax liabilities:		
Accumulated other comprehensive gain	(1,192,636)	(1,009,477)
Subtotal	(1,192,636)	(1,009,477)
Total deferred tax assets - non-current portion	(1,194,426)	(928,401)
Net deferred tax assets (liabilities)	\$ (1,842,503)	\$ (914,695)
<b>(b) Tax Benefit (Holiday) Effect</b>		

For the six months ended June 30, 2014 and 2013, the PRC CIT rate was 25%. Certain subsidiaries of the Company are entitled to tax benefit (holidays) for the six months ended June 30, 2014 and 2013.

The combined effects of the income tax expense exemptions and reductions available to the Company for the six months ended June 30, 2014 and 2013 are as follows:

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		<b>2014</b>		<b>2013</b>
Tax benefit (holiday) credit	\$	42,822	\$	294,960
Basic net income per share effect	\$	0.001	\$	0.009

**NOTE 18 - STOCK OPTIONS, WARRANTS AND CONVERTIBLE NOTES**

**(a) Stock Options**

On February 11, 2009, the Compensation Committee of the Board of Directors of the Company approved the grant of stock options to purchase 2,600,000 shares of common stock at an exercise price of \$0.80 per share to ten of the Company's employees and directors. The stock options vested ratably over three years and expire on the tenth anniversary of the grant date. The Company valued the stock options at \$2,062,964 and amortized the stock compensation expense using the straight-line method over the service period from February 11, 2009 through February 11, 2012. The value of the options was estimated using the Black Scholes Model with an expected volatility of 164%, expected life of 10 years, risk-free interest rate of 2.76% and expected dividend yield of 0.00%. As of June 30, 2014, options for 2,366,672 shares had been exercised and options for 6,668 shares had been forfeited.

On October 6, 2009, the Company executed an agreement with Wang Rui and Li Qiwen, third-party consultants, whereby Mr. Wang and Mr. Li were to provide to the Company business development services in China in exchange for options to purchase 350,000 shares of the Company's common stock at an exercise price of \$1.50 per share. Per the agreement, options to purchase 250,000 shares vested and became exercisable on March 6, 2010, and options to purchase 100,000 shares vested and became exercisable on June 6, 2010. The options are issued under and subject to the terms of the Company's 2008 Omnibus Long-Term Incentive Plan. As of June 30, 2014, options for 250,000 shares had been exercised and remaining option to purchase 100,000 shares were forfeited due to the non-performance of services.

The following is a summary of the stock option activities of the Company:

	<b>Number of Shares</b>		<b>Weighted Average Exercise Price</b>
Outstanding as of January 1, 2014	326,660	\$	1.01
Granted	-		-
Exercised	-		-
Cancelled	(100,000)		1.50
Outstanding as of June 30, 2014	226,660		0.80

The following table summarizes information about stock options outstanding as of June 30, 2014:

<b>Options Outstanding</b>			<b>Options Exercisable</b>	
<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Remaining Contractual life (in years)</b>	<b>Number of Shares</b>	<b>Exercise Price</b>
226,660	\$ 0.80	4.75	226,660	\$ 0.80

The fair value per share of the 2,600,000 options issued to the employees and directors in February 2009 is \$0.7934 per share.

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**(b) Warrants**

On December 21, 2010, the Company sold to certain institutional investors 3,027,272 shares of the Company's common stock and warrants to purchase up to 1,210,912 shares of the Company's common stock in fixed combination, with each combination consisting of one share of common stock and a warrant to purchase 0.40 shares of common stock in a registered direct public offering (the "Second Round Warrants"). The Second Round Warrants became exercisable immediately following the closing date of the offering and initially were exercisable for three years thereafter at an exercise price of \$6.30 per share. The exercise price of the Second Round Warrants was adjusted to \$5.40 on September 9, 2013 as a result of the registered direct offering that closed on July 1, 2013. On December 12, 2013, the expiration date of the Second Round Warrants was extended to June 30, 2014. As of June 30, 2014, all 1,210,912 of the Second Round Warrants had been exercised.

On June 26, 2013, the Company entered into a Securities Purchase Agreement (the "2013 Securities Purchase Agreement") with certain institutional investors (the "Third Round Investors") that closed on July 1, 2013 pursuant to which the Company sold to the Third Round Investors, in a registered direct offering, an aggregate of 4,376,036 shares of the Company's common stock at a negotiated purchase price of \$6.03 per share. Under the 2013 Securities Purchase Agreement, the Third Round Investors also received Series A warrants for the purchase of up to 1,750,415 shares of the Company's common stock at an exercise price of \$7.24 per share and an option to make an additional investment in the form of Series B warrants and Series C warrants: Series B warrants to purchase a maximum aggregate of 728,936 shares of the Company's common stock at an exercise price of \$7.24 per share and the Series C warrants to purchase a maximum aggregate of 291,574 shares of the Company's common stock at an exercise price of \$8.69 (the "Third Round Warrants"). In addition, the placement agent for this transaction also received warrants for the purchase of up to 262,562 shares of the Company's common stock at an exercise price of \$7.24 per share (the "Third Round Placement Agent Warrants"). As of June 30, 2014 all the Third Round Series A, Series B and Series C warrants had been exercised on a cash basis and the Third Round Placement Agent Warrants, which will expire on July 1, 2016, had a fair value of \$8.69 per share.

On January 15, 2014, the Company sold to certain institutional investors warrants to purchase an aggregate of 1,429,393 shares of the Company's common stock at an exercise price of \$15 per share (the "Fourth Round Warrants") for a total purchase price of approximately \$14,294. According to the warrant subscription agreement by and among the Company and the holders, the exercise price shall be reduced by a credit of \$0.01, which reflects the price per warrant share paid in connection with the issuance of the Fourth Round Warrants. Consequently, the effective exercise price per warrant share shall be \$14.99. The Fourth Round Warrants were immediately exercisable and will expire on January 30, 2015. As of June 30, 2014, the fair value of the Fourth Round Warrants was \$7.38.

On March 19, 2014, the Company entered into a Securities Purchase Agreement with certain purchasers (the "Fourth Round Investors") pursuant to which the Company sold to the Fourth Round Investors, in a registered direct offering, an aggregate of 606,000 shares of common stock, at a negotiated purchase price of \$18.24 per share, for aggregate gross proceeds to the Company of approximately \$11,053,440, before deducting fees to the placement agent and other estimated offering expenses payable by the Company. As part of the transaction, the Fourth Round Investors also received warrants for the purchase of up to 90,900 shares of the Company's common stock at an exercise price of \$22.80 per share (the "Fifth Round Warrants"). In addition, the placement agent for this transaction also received warrants for the purchase of up to 36,360 shares of the Company's common stock at an exercise price of \$22.80 per share. The Fifth Round Warrants have a term of eighteen months and are exercisable by the holders at any time after the date of issuance. As of June 30, 2014, the fair value of the Fifth Round Warrants was \$7.26.

**NOTE 19 STOCK AWARD**

In connection with his appointment to the Board of Directors, and as compensation for serving, the Board of Directors has authorized the issuance by the Company to Mr. Henry Yu of 5,000 shares of Company's restricted common stock every six months from July 2011.

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As compensation for his services, the Board of Directors has authorized the issuance by the Company to Mr. Jerry Lewin of 5,000 shares of Company's restricted common stock every six months, from August 2011.

As compensation for her services, the Board of Directors authorized the issuance by the Company to Ms. Kewa Luo of 5,000 shares of Company's common stock every six months, beginning in September 2013.

As compensation for his services, the Board of Directors authorized the issuance by the Company to Mr. Wei Chen of 10,000 shares of Company's common stock every year beginning in January 2012 and 2,500 shares of Company's common stock every three months, beginning in January 2014. As of June 1, 2014, Mr. Chen was no longer with the Company.

The fair value of stock awards based on service is determined based on closing price of the common stock on the date the shares are granted. The compensation costs for awards of common stock are recognized over the requisite service period of six months.

On December 30, 2013, the Board of Directors approved a proposal (as submitted by the Compensation Committee) of an award for selected executives and other key employees comprising a total of 335,000 shares of common stock for each fiscal year, beginning with the 2013 fiscal year, under the Company's 2008 Omnibus Long-Term Incentive Plan (the Plan), if the Company's determination that the Company's Non-GAAP Net Income for the fiscal year increased by 10% comparing to that of the prior year's. The specific number of shares of common stock to be issued in respect of such award could proportionally increase or decrease if the actual Non-GAAP Net Income increase is more or less than 10%. Non-GAAP Net Income means the Company's net income for a particular year calculated in accordance with GAAP, excluding option-related expenses, stock award expenses, and the effects caused by the change of fair value of financial derivatives. For example, if Non-GAAP Net Income for the 2014 fiscal year increases by 10% compared to the Non-GAAP Net Income for the 2013 fiscal year, the selected executives and other key employees each will be granted his or her target amount of common stock of the Company. If Non-GAAP Net Income in 2014 is less than Non-GAAP Net Income in 2013, then no common stock will be granted. If Non-GAAP Net Income in 2014 increases compared to Non-GAAP Net Income in 2013 but the increase is less than 10%, then the target amount of the common stock grant will be proportionately decreased. If Non-GAAP Net Income in 2014 increases compared to Non-GAAP Net Income in 2013 but the increase is more than 10%, then the target amount of the common stock grant will be proportionately increased up to 200% of the target amount. Any such increase in the grant will be subject to the total number of shares available under the Plan, and the Company's Board of Directors and shareholders will need to approve an increase in the number of shares reserved under the Plan if the number of shares originally reserved is used up.

The fair value of each award granted under the Plan is determined based on the closing price of the Company's stock on the date of grant of the award. To the extent that the performance goal is not met and so no shares become due, no compensation cost is recognized and any recognized compensation cost during the applicable year is reversed. The number of shares of common stock granted under the Plan with respect to fiscal 2014 would be 670,000 shares according to the estimation of Non-GAAP Net Income of the whole year of 2014 based on the Non-GAAP Net Income of the first six months of 2014. The compensation expense is recognized in General and Administrative Expenses.

**NOTE 20 INTANGIBLE ASSETS**

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets other than goodwill:

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	Remaining useful life as of June 30, <b>2014</b>	June 30, 2014 (Unaudited)	December 31, 2013
Gross carrying amount:			
Trade name	7.5 years	\$ 492,235	492,235
Customer relations	7.5 years	304,086	304,086
		796,321	796,321
Less : Accumulated amortization			
Trade name		\$ (109,949)	(84,576)
Customer relations		(67,924)	(52,249)
		(177,873)	(136,825)
Intangible assets, net		\$ 618, 448	659,496

The aggregate amortization expense for those intangible assets that continue to be amortized is reflected in amortization of intangible assets in the consolidated statements of income, and comprehensive income was \$20,524 and \$20,524 for the three months ended June 30, 2014 and 2013, respectively, and \$41,048 and \$41,048 for the six months ended June 30, 2014 and 2013, respectively.

Amortization expense for the next five years and thereafter is as follows:

2014 (six months)	\$ 41,047
2015	82,095
2016	82,095
2017	82,095
2018	82,095
Thereafter	249,021
Total	\$ 618,448

**NOTE 21 SUMMARIZED INFORMATION OF EQUITY METHOD INVESTMENT IN THE JV COMPANY**

The Company's consolidated net income includes the Company's proportionate share of the net income or loss of the Company's equity method investees. When the Company records its proportionate share of net income, it increases equity income (loss) net in the Company's consolidated statements of income and the Company's carrying value in that investment. Conversely, when the Company records its proportionate share of a net loss, it decreases equity income (loss) net in the Company's consolidated statements of income and the Company's carrying value in that investment. All intra-entity profits and losses with the Company's equity method investees have been eliminated.

**Kandi Electric Vehicles Group Co., Ltd. (the JV Company )**

In March 2013, pursuant to a joint venture agreement (the JV Agreement ) entered into between Kandi Vehicles and Shanghai Maple Guorun Automobile Co., Ltd. ( Shanghai Guorun ), a 99%-owned subsidiary of Geely Automobile Holdings Ltd. ( Geely ), the parties established Zhejiang Kandi Electric Vehicles Co., Ltd. (the JV Company ) to develop, manufacture and sell electrical vehicles ( EVs ) and related auto parts. Each of Kandi Vehicles and Shanghai Guorun has a 50% ownership interest in the JV Company. In fourth quarter of 2013, Kandi Vehicles entered into an ownership transfer agreement with the JV Company pursuant to which Kandi Vehicles transferred 100% of its ownership in Kandi Changxing to the JV Company. As a result, the Company indirectly has a 50% economic interest

in Kandi Changxing through its 50% ownership interest in the JV Company after this transfer. In November 2013, Zhejiang Kandi Electric Vehicles Jinhua Co., Ltd. ( Kandi Jinhua ) was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jinhua, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Jinhua. In November 2013, Zhejiang JiHeKang Electric Vehicle Sales Co., Ltd. ( JiHeKang ) was formed by the JV Company. The JV Company has 100% ownership interest in JiHeKang, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in JiHeKang. In December 2013, the JV Company entered into an ownership transfer agreement with Shanghai Maple pursuant to which the JV Company acquired 100% ownership of Kandi Electric Vehicles (Shanghai) Co., Ltd. ( Kandi Shanghai ). As a result, Kandi Shanghai is a wholly-owned subsidiary of the JV Company, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Shanghai. In January 2014, Zhejiang Kandi Electric Vehicles Jiangsu Co., Ltd. ( Kandi Jiangsu ) was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jiangsu, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Jiangsu. In addition, In July 2013, Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd. (the Service Company ) was formed. The JV Company has a 19% ownership interest in the Service Company. The Company, indirectly through its 50% ownership interest in the JV Company, has a 9.5% of economic interest in the Service Company. In March 2014, the JV Company changed its name to Kandi Electric Vehicles Group Co., Ltd.

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As of June 30, 2014, the JV Company consolidated the following entities on its financial statements: (1) 100% interest in Kandi Changxing; (2) 100% interest in Kandi Jinhua; (3) 100% interest in JiHeKang; (4) 100% interest in Kandi Shanghai; and (5) 100% interest in Kandi Jiangsu.

The Company accounted for its investments in the JV Company under the equity method of accounting as the Company has a 50% ownership interest in the JV Company. Therefore, the Company's consolidated net income for the six months ended June 30, 2014, included equity income from the JV Company during such periods.

The combined results of operations and financial position of the JV Company are summarized below:

	<b>Three months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Condensed income statement information:		
Net sales	\$ 45,135,796	\$ -
Gross income (loss)	2,638,447	-
Net income (loss)	728,994	(20,752)
Company's equity in net income of JV	\$ 364,497	\$ (10,376)

	<b>Six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Condensed income statement information:		
Net sales	\$ 79,995,840	\$ -
Gross income (loss)	6,926,375	-
Net income (loss)	2,385,818	(20,752)
Company's equity in net income of JV	\$ 1,192,909	\$ (10,376)

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Condensed balance sheet information:		
Current assets	\$ 164,363,860	\$ 108,139,053
Noncurrent assets	157,786,890	146,130,466
Total assets	\$ 322,150,750	\$ 254,269,519
Current liabilities	155,466,409	93,772,816
Noncurrent liabilities	4,946,100	-
Equity	161,738,241	160,496,703
Total liabilities and equity	\$ 322,150,750	\$ 254,269,519

**KANDI TECHNOLOGIES GROUP, INC.**  
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**(UNAUDITED)**

During the first half of 2014, 99.2% of the JV Company's revenues were derived from the sales of EV products in the PRC with a total of 5,329 units sold during such period. The growth of sales of EV products was mainly driven by the demand by Hangzhou Public EV Sharing System (the Car-Share Project) and group long-term lease project. As the Company only has a 50% ownership interest in the JV Company and accounted for its investments in the JV Company under the equity method of accounting, the Company didn't consolidate the JV Company's financial results but included equity income from the JV Company during such periods.

Note: The following table illustrates the captions used in the Company's Income Statements for its equity basis investments in the JV Company.

Changes in the Company's equity method investment in JV Company for the six months ended June 30, 2014 and 2013 are as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Investment in JV Company, beginning of the period,	\$ 79,331,930	\$ -
Investment in JV Company	-	80,798,940
Share of profit (loss)	1,192,909	(10,376)
Intercompany transaction elimination	(386,009)	-
Year 2013 unrealized profit realized	911,930	-
Exchange difference	(566,796)	(100)
Investment in JV Company, end of the period	\$ 80,483,964	\$ 80,788,464

Sales to our customers, the JV Company's subsidiaries, for the three and six months ended June 30, 2014 were \$17,745,909 and \$42,468,191, respectively, and they were primarily the sales of battery packs, body parts, EV drive motors, EV controllers, air conditioning units and other auto parts, of which the majority of sales were to Kandi Changxing amounted to \$12,347,137 and \$29,573,430, respectively, Kandi Shanghai amounted to \$3,884,233 and \$10,786,012, respectively and Kandi Jinhua amounted to \$1,516,886. These EV parts were used in manufacturing of pure products by the JV's Company's subsidiaries to sell entirely to the JV Company's customer or Shanghai Maple Auto Co., Ltd. (Shanghai Maple). Shanghai Maple holds the country's vehicle production rights of sedan, equivalent to license, that qualifies it to sell the EV products to the end customers. Shanghai Maple is 90% owned by Geely and 10% owned by Zhejiang Maple Asset Management Co. Ltd. According to the JV agreement, before the JV Company receives vehicle production rights (license), the JV Company and its subsidiaries all may sell their products through the channel of Shanghai Maple's vehicle production rights (license) to the end customers or the Service Company, which purchased and used the cars in Hangzhou Public EV sharing System and group long-term lease project. Of the total sales to the JV Company and its subsidiaries for the six months ended June 30, 2014, approximately 72% of the sales were related to the sales of battery packs because Kandi New Energy holds a production rights (license) to manufacture requisite battery packs used in manufacturing of Kandi brand's EVs. Under the JV agreement, the Company's EV product manufacturing business will be gradually transferred to the JV Company. The Company will be mainly responsible for supplying the JV Company with EV parts in the future and the JV Company will be responsible to produce EV products and to sell finished goods through channel to its end customers.

**KANDI TECHNOLOGIES GROUP, INC.**  
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As of June 30, 2014 and December 31, 2013, the amount due from the JV Company, net was \$34,507,160 and \$2,917,592, respectively, of which the majority was the balances with Kandi Changxing and Kandi Shanghai. As of June 30, 2014 and December 31, 2013, the amount due from Kandi Changxing, net was \$26,488,465 and \$1,576,408, respectively, and the amount due from Kandi Shanghai, net was \$10,388,436 and \$0, respectively.

**NOTE 22 ACCOUNTS RECEIVABLE**

Accounts receivable are summarized as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>(Unaudited)</b>	
Accounts receivable	\$ 19,218,760	\$ 31,370,862
Less: Provision for doubtful debts	-	-
Accounts receivable, net	\$ 19,218,760	\$ 31,370,862

During the six months ended June 30, 2014 and 2013, the Company sold products to Kandi USA Inc., a company that operates under the trade name of Eliteway Motorsports ( Eliteway ), amounting to \$2,187,115 and \$3,077,052, respectively. During the three months ended June 30, 2014 and 2013, the Company sold products to Kandi USA Inc., amounting to \$1,628,096 and \$1,892,872, respectively. As of June 30, 2014 and December 31, 2013, outstanding receivable due from Eliteway was \$1,125,183 and \$ 2,800,958, respectively.

Mr. Hu Wangyuan is the sole shareholder and officer of Eliteway, which serves as a U.S. importer of the Company's products. Mr. Hu Wangyuan is the adult son of the Company's chairman and Chief Executive Officer, Mr. Hu Xiaoming. As of and for the six months ended June 30, 2014, Eliteway and Mr. Hu Wangyuan were financially independent from the Company. The transactions between the Company and Eliteway were carried out at arm's length without preferential terms compared with other customers that placed orders comparable in size or volume.

**NOTE 23 COMMITMENTS AND CONTINGENCIES**

**Guarantees and Pledged collateral for third party bank loans**

As of June 30, 2014, the Company provided guarantees for the following third parties:

(1) Guarantees for bank loans

Guarantee provided to	Amount
Zhejiang Kangli Metal Manufacturing Company.	\$ 4,871,949
Zhejiang Shuguang industrial Co., Ltd.	4,871,949
Nanlong Group Co., Ltd.	9,743,898
Total	\$ 19,487,796

On December 27, 2013, the Company entered into a guarantee contract to serve as the guarantor for the bank loan borrowed from Shanghai Bank Hangzhou branch in the amount of \$4,871,949 by Zhejiang Kangli Metal Manufacturing Company ( ZKMMC ) for the period from December 27, 2013 to December 27, 2014. ZKMMC is not related to the Company. Under this guarantee contract, the Company agrees to perform all obligations of ZKMMC under the loan contract if ZKMMC fails to perform its obligations as set forth therein.

On March 4, 2014, the Company entered into a guarantee contract to serve as the guarantor for the bank loan borrowed from PingAn Bank in the amount of \$4,871,949 by Zhejiang Shuguang industrial Co., Ltd. ( ZSICL ) for the period from March 4, 2014 to March 4, 2015. ZSICL is not related to the Company. Under this guarantee contract, the Company agrees to perform all obligations of ZSICL under the loan contracts if ZSICL fails to perform its obligations as set forth therein.

**KANDI TECHNOLOGIES GROUP, INC.  
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On March 15, 2013 and December 27, 2013, the Company entered into two guarantee contracts to serve as the guarantor for the bank loans borrowed from Shanghai Pudong Development Bank Jinhua Branch and Shanghai Bank Hangzhou branch in the amount of \$3,247,966 and \$6,495,932, respectively, by Nanlong Group Co., Ltd. ( NGCL ) for the period from March 15, 2013 to March 15, 2016, and December 27, 2013 to December 27, 2014, respectively. NGCL is not related to the Company. Under these guarantee contracts, the Company agrees to perform all obligations of NGCL under the loan contracts if NGCL fails to perform its obligations as set forth therein.

(2) Pledged collateral for a third party's bank loans

As of June 30, 2014 and December 31, 2013, none of the Company's land use rights or plant and equipment were pledged as collateral securing bank loans to third parties.

**NOTE 24 SEGMENT REPORTING**

The Company has only one single operating segment. The Company's revenue and long-lived assets are primarily derived from and located in the PRC. The Company only has operations in the PRC.

The following table sets forth revenues by geographic area:

	<b>Six Months Ended June 30</b>			
	<b>2014</b>		<b>2013</b>	
	Sales Revenue	Long Lived Assets	Sales Revenue	Long Lived Assets
North America	\$ 2,123,314	\$ -	\$ 2,723,533	\$ -
Europe and other region	1,231,682	-	617,428	-
China	69,776,363	124,197,148	23,479,387	128,908,847
<b>Total</b>	<b>\$ 73,131,359</b>	<b>\$ 124,197,148</b>	<b>\$ 26,820,348</b>	<b>\$ 128,908,847</b>

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**KANDI TECHNOLOGIES GROUP, INC.  
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**Three Months Ended June 30**

	<b>2014</b>		<b>2013</b>	
	Sales Revenue	Long Lived Assets	Sales Revenue	Long Lived Assets
North America	\$ 1,554,096	\$ -	\$ 1,095,453	\$ -
Europe and other region	705,080	-	206,711	-
China	30,700,879	124,197,148	10,855,663	128,908,847
<b>Total</b>	<b>\$ 32,960,055</b>	<b>\$ 124,197,148</b>	<b>\$ 12,157,827</b>	<b>\$ 128,908,847</b>

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

This report contains forward-looking statements within the meaning of the federal securities laws that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology, such as may, will, should, could, expect, plan, anticipate, believe, estimate, potential or continue or the negative of such terms or other comparable terminology, although not all forward-looking statements contain such terms.

In addition, these forward-looking statements include, but are not limited to, statements regarding implementing our business strategy; development and marketing of our products; our estimates of future revenue and profitability; our expectations regarding future expenses, including research and development, sales and marketing, manufacturing and general and administrative expenses; difficulty or inability to raise additional financing, if needed, on terms acceptable to us; our estimates regarding our capital requirements and our needs for additional financing; attracting and retaining customers and employees; sources of revenue and anticipated revenue; and competition in our market.

Forward-looking statements are only predictions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. All of our forward-looking information is subject to risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors and the timing of any of those risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2013 and those set forth from time to time in our other filings with the Securities and Exchange Commission ( SEC ). These documents are available on the SEC's Electronic Data Gathering and Analysis Retrieval System at <http://www.sec.gov>.

### **Critical Accounting Policies and Estimates**

This section should be read together with the Summary of Significant Accounting Policies in the attached condensed consolidated financial statements included in this report.

#### *Policy affecting options and warrants*

Our stock option cost is recorded in accordance with ASC 718 and ASC 505. The fair value of stock options is estimated using the Black-Scholes-Merton model. Our expected volatility assumption is based on the historical volatility of our common stock. The expected life assumption is primarily based on the expiration date of the option. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Stock option expense recognition is based on awards expected to vest. There were no estimated forfeitures. ASC standards require forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates.

Our warrant costs are recorded in liabilities and equities, respectively, in accordance with ASC 480, ASC 505 and ASC 815. The fair value of a warrant, which is classified as a liability, is estimated using the Black-Scholes-Merton model and the lattice valuation model. Our expected volatility assumption is based on the historical volatility of our common stock. The expected life assumption is primarily based on the expiration date of the warrant. The risk-free interest rate for the expected term of the warrant is based on the U.S. Treasury yield curve in effect at the time of measurement. The warrants, which are freestanding derivatives classified as liabilities on the balance sheet, are measured at fair value on each reporting date, with decreases in fair value recognized in earnings and increases in fair values recognized in expenses.

The fair value of equity-based warrants, which are not considered derivatives under ASC 815, is estimated using the Black-Scholes-Merton model. Our expected volatility assumption is based on the historical volatility of our common stock. The expected life assumption is primarily based on the expiration date of the warrant. The risk-free interest rate

for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

*Estimates affecting accounts receivable and inventories*

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect our reporting of assets and liabilities (and contingent assets and liabilities). These estimates are particularly significant where they affect the reported net realizable value of our accounts receivable and inventories.

Accounts receivable are recognized and carried at net realizable value. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific factors, such as troubled collection, historical experience, accounts aging, ongoing business relations and other factors. Accounts are written off after exhaustive efforts at collection. If accounts receivable are to be provided for, or written off, they would be recognized in the consolidated statement of operations within operating expenses. As of June 30, 2014 and December 31, 2013, we recorded no allowance for doubtful accounts. This determination was made per our management's judgment, which was based on their best knowledge.

Inventory is stated at the lower of cost, determined on a weighted average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances. When inventories are sold, their carrying amount is charged to expense in the year in which the revenue is recognized. Write-downs for declines in net realizable value or for losses of inventories are recognized as an expense in the year the impairment or loss occurs.

Although we believe that there is little likelihood that actual results will differ materially from current estimates, if customer demand for our products decreases significantly in the near future, or if the financial condition of our customers deteriorates in the near future, we could realize significant write downs for slow-moving inventories or uncollectible accounts receivable.

*Revenue Recognition*

Our revenue recognition policy plays a key role in our consolidated financial statements. Revenues represent the invoiced value of goods sold, recognized upon the shipment of goods to customers, and revenues are recognized when all of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable; and
- Collectability is reasonably assured.

The revenue recognition policies for our legacy products, including ATVs, go-karts and EV products, are the same: When the products are delivered, the associated risk of loss is deemed transferred, and at that time we recognize revenue.

*Warranty Liability*

Most of our non-EV products (the Legacy Products) are exported out of China to foreign countries that have legal and regulatory requirements with which we are not familiar. Development of warranty policies for our Legacy Products in each of these countries would be virtually impossible and prohibitively expensive. Therefore, we provide price incentives and free parts to our customers and in exchange, our customers establish appropriate warranty policies and assume warranty responsibilities. Consequently, warranty issues are taken into consideration during the price negotiation for our products. The free parts are delivered along with the products, and when products are sold, the related parts are recorded as cost of goods sold. Due to the reliable quality of our products, we have been able to maintain this warranty policy and we have not had any product liability attributed to the quality of our products.

For the EV products that we sell in China, there is a three year or 50,000 kilometer manufacturer warranty. This warranty affects us through our participation and investment in the JV Company, which manufactures the EVs.

**Results of Operations***Comparison of Six Months Ended June 30, 2014 and 2013*

The following table sets forth the amounts and percentage relationship to revenue of certain items in our condensed consolidated statements of income and comprehensive income

	<b>For Six Months Ended <u>June 30,</u> <u>2014</u></b>	<b>% Of <u>Revenue</u></b>	<b>For Six Months Ended <u>June 30,</u> <u>2013</u></b>	<b>% Of <u>Revenue</u></b>	<b>Change In <u>Amount</u></b>	<b>Change <u>In %</u></b>
<b>REVENUES, NET</b>	\$ 73,131,359	100.0%	\$ 26,820,348	100.0%	\$ 46,311,011	172.7%
<b>COST OF GOODS SOLD</b>	(61,049,862)	(83.5%)	(20,640,696)	(77.0%)	(40,409,166)	195.8%
<b>GROSS PROFIT</b>	12,081,497	16.5%	6,179,652	23.0%	5,901,845	95.5%
Research and development	(2,143,930)	(2.9%)	(1,362,156)	(5.1%)	(781,774)	57.4%
Selling and distribution expenses	(507,151)	(0.7%)	(161,034)	(0.6%)	(346,117)	214.9%
General and administrative expenses	(9,643,944)	(13.2%)	(2,025,243)	(7.6%)	(7,618,701)	376.2%
<b>(LOSS) INCOME FROM OPERATIONS</b>	(213,528)	(0.3%)	2,631,219	9.8%	(2,844,747)	(108.1%)
Interest (expense) income, net	(686,175)	(0.9%)	(1,287,810)	(4.8%)	601,635	(46.7%)
Change in fair value of financial instruments	(3,372,602)	(4.6%)	(92,339)	(0.3%)	(3,280,263)	3552.4%
Government grants	153,700	0.2%	49,807	0.2%	103,893	208.6%
Share of (loss) invested in associated company	(92,992)	(0.1%)	(29,540)	(0.1%)	(63,452)	214.8%
Share of profit (loss) after tax of JV	1,718,830	2.4%	(10,376)	(0.0%)	1,729,206	(16665.4%)
Other income, net	119,827	0.2%	176,513	0.7%	(56,686)	(32.1%)
<b>(LOSS) INCOME FROM OPERATIONS BEFORE INCOME TAXES</b>	(2,372,940)	(3.2%)	1,437,474	5.4%	(3,810,414)	(265.1%)
<b>INCOME TAX (EXPENSE)</b>	(556,135)	(0.8%)	(244,901)	(0.9%)	(311,234)	127.1%
<b>NET (LOSS) INCOME</b>	\$ (2,929,075)	(4.0%)	\$ 1,192,573	4.4%	\$ (4,121,648)	(345.6%)

**(a) Revenue**

For the six months ended June 30, 2014, we had revenues of \$73,131,359 as compared to revenues of \$26,820,348 for the six months ended June 30, 2013, an increase of \$46,311,011 or 172.7% . For the six months ended June 30, 2014 and 2013, 95% and 88%, respectively, of our revenues were derived from the sales of our products in the PRC.

The following table summarizes our revenues as well as the unit sold by product types for the six months ended June 30, 2014 and 2013:

	2014		Six Months Ended June 30,		2013	
	Unit	Sales	Unit	Sales	Unit	Sales
EV parts	47,484	\$ 42,238,297	-	-	-	-
EV products	1,531	21,617,300	632	\$ 3,758,907		
Go-Kart	5,610	5,079,004	18,411	15,628,994		
ATV	6,231	3,982,277	8,480	4,272,289		
Auto generator	1,664	57,933	35,724	1,183,527		
Three wheeled motorcycle	2	1,018	179	234,012		
OEM - EV	320	155,530	-	-		
Utility vehicles ( UTVs )	-	-	340	863,818		
Refitted car	-	-	33	878,801		
Total	62,842	\$ 73,131,359	63,799	\$ 26,820,348		

**EV Parts**

During the six months ended June 30, 2014, our revenues from the sale of EV parts were \$42,238,297. We started the EV parts business in the first quarter of 2014, and our revenue for the six months ended June 30, 2014 primarily consisted of the sales of battery packs, body parts, EV drive motors, EV controllers, air conditioning units and other auto parts to the JV Company for manufacturing of EV products. Of the total EV parts sales to the JV Company for the six months ended June 30, 2014, approximately 72% of the sales were related to the sales of battery packs because the auto industry is highly regulated in China and we hold the necessary production license to manufacture the battery packs used in the manufacturing of Kandi brand s EVs. Under the JV agreement, our EV manufacturing business will be gradually transferred to the JV Company. We will be primarily responsible for supplying the JV Company with EV parts in the future and the JV Company will be primarily responsible to produce the EV products.

**EV Products**

We continued to sell certain EV products during the first half of 2014. Our revenues from the sale of EV products increased by \$17,858,393 or 475.1% from \$3,758,907 for the six months ended June 30, 2013 to \$21,617,300 for the six months ended June 30, 2014, representing a 142.2% of increase in unit sales and a 137.4% increase in the average unit price. Of the total sales of EV products for the six months ended June 30, 2014, approximately \$21,016,349 or approximately 97% was sold to Shanghai Maple Auto Co., Ltd., an unaffiliated company that holds the country s vehicle production rights of sedan that qualifies it to sell the products to the end customer. The increased sales of EV products were mainly driven by the demand by Hangzhou Public EV Sharing System (the Car-Share Project) and group long-term lease project. The group long-term lease project is a lease model that uses enterprise, community or village as a lease unit and each unit leases a minimum of 100 EVs with a group lease term at a minimum of three years.

### Go-Karts

During the six months ended June 30, 2014, our revenues from the sale of go-karts declined by \$10,549,990, or 67.5%, primarily as a result of a 69.5% decrease in unit sales as compared to the same period of last year. However, the decline of unit sales was partially offset by a 6.7% increase in the average unit price during the first six months of 2014. The decrease in go-kart sales was primarily due to the realignment of our product mix for more efficient use of resources to capture more sales opportunities in the fast-growing EV market in China.

### ATV

During the six months ended June 30, 2014, our revenues from the sale of ATVs decreased by \$290,012, or 6.8%, as a result of a 26.5% decrease in unit sales that was offset in part by a 26.9% increase in the average unit price compared to the same period of 2013. The decrease in revenue was primarily attributable to our continued efforts to optimize our product offering and focus our efforts on the EV market in China. The average unit price increased as more high-end and middle-end products sold during this reporting period.

### Auto Generators

During the six months ended June 30, 2014, our sales of auto generators decreased by \$1,125,594, or 95.1%, as a result of a 95.3% decrease in unit sales that was partially offset by a 5.1% increase in the average unit price compared to the same period of last year. The decrease in revenue was primarily due to the realignment of Yongkang Scrou s product offering to focus on manufacturing automobile motors, air-conditioning systems, controllers, and accelerator pedals for EVs.

### Motorcycles

During the six months ended June 30, 2014, our revenues from the sale of three-wheeled motorcycles declined by \$232,994 or 99.6%, as a result of a 98.9% of decrease in unit sales and a 61.1% decrease in the average unit price compared to the same period of last year. The decrease was primarily because we adjusted our product offering and focused more efforts on increasing EV demand in the China auto market.

### OEM EV

During the six months ended June 30, 2014, our revenues from our OEM business were \$155,530. We started our OEM business in the second quarter of 2014, and our sales for the six months ended June 30, 2014 were primarily derived from assembling EV products for Kandi Jinhua, a wholly-owned subsidiary of the JV Company. Indirectly through our 50% ownership interest in the JV Company, we have a 50% economic interest in Kandi Jinhua.

### UTV

During the six months ended June 30, 2014, our utility vehicles ( UTVs ) revenue was nil. This is mainly due to our continued efforts to optimize our product offering and focused our efforts on increasing EV demand in the China auto market. Therefore, we stopped manufacturing UTV products.

### Refitted Car

During the six months ended June 30, 2014, we did not record any revenue from this business line as we discontinued manufacturing this product in the third quarter of 2013 to focus our efforts on the China EV auto market.

The following table shows the breakdown of our revenues from our customers during the six months ended June 30, 2014 and 2013 by geographical markets based on the location of the customer:



	Six Months Ended June 30,			
	2014		2013	
	Sales	Percentage	Sales	Percentage
North America	\$ 2,123,314	3%	\$ 2,723,533	10%
China	69,776,363	95%	23,479,387	88%
Europe & other region	1,231,682	2%	617,428	2%
Total	\$ 73,131,359	100%	\$ 26,820,348	100%

**(b) Cost of goods sold**

Cost of goods sold during the six months ended June 30, 2014 was \$61,049,862, representing an increase of \$40,409,166 or 195.8% from \$20,640,696 in the corresponding period of 2013. This increase was primarily due to the corresponding increased sales for the six months ended June 30, 2014. However, the increase in cost of goods sold outpaced the growth of our revenues, which was largely due to relatively less profitable raw material purchases in our newly-added EV parts product line, and the sale of EV parts accounted for 57.8% of total revenue for the six months ended June 30, 2014. As a result, cost of goods sold for our EV parts product line comprised the majority, or 62.8%, of the total cost of goods sold for the six months ended June 30, 2014. The battery sales accounted the majority of our EV parts sales and its corresponding cost of goods sold accounted for 47.6% of total cost of goods sold.

For the six months ended June 30, 2014, excluding the battery business mentioned above, our cost of raw materials had a percentage increase of 0.23% compared to the sales increase in the same period of time year over year.

Excluding the battery business mentioned above, total wages and salaries for the six months ended June 30, 2014, had an increase of 0.34% compared to the sale increase in the same period of time year over year.

Excluding the battery business mentioned above, our other overhead costs for the six months ended June 30, 2014 had a decrease of 4.43% compared to the sales increase in the same period of time year over year.

For the six months ended June 30, 2014, raw material costs comprised approximately 95.4% of total cost of goods sold, labor costs comprised approximately 1.5% of total cost of goods sold, and manufacturing overhead comprised approximately 3.1% of the total cost of goods sold. For the six months ended June 30, 2013, raw material costs comprised approximately 88.8% of total cost of goods sold, labor costs comprised approximately 2.6% of total cost of goods sold, and manufacturing overhead comprised approximately 8.6% of the total cost of goods sold.

**(c) Gross profit**

Gross profit for the first six months of 2014 was \$12,081,497 as compared to \$6,179,652 for the same period last year, an increase of \$5,901,845 or 95.5%. This increase was primarily attributable to the increase in our revenue. However, our gross margin in the first six months of 2014 decreased to 16.5% compared to 23.0% for the same period of 2013. The decreased gross margin was mainly because the majority of our revenue growth during the first half year came from the relatively less profitable EV parts product lines, which had 9.2% of gross margin compared to 16.5% of gross margin for the company as a whole.

**(d) Selling and distribution expenses**

Selling and distribution expenses were \$507,151 for the six months ended June 30, 2014, compared to \$161,034 for the same period in 2013, an increase of \$346,117 or 214.9%. This increase was primarily attributable to warranty expenses of \$303,647 for repair and maintenance charged during the second quarter of 2014. We contracted a qualified third party to provide repair and maintenance works for the 1,620 units we sold of Kandi 7001 series EV sedans. The total price of this service is \$3,176,080 and will be amortized over three years. Excluding this charge, our selling and distribution expenses increased \$42,470 or 26.4% as compared to the same period of last year. The

increase was largely due to the increased expenses in trade shows and advertising as we increased our sales and marketing efforts this year.

**(e) General and administrative expenses**

General and administrative expenses were \$9,643,944 for the first six months ended June 30, 2014, compared to \$2,025,243 for the same period in 2013, an increase of \$7,618,701 or 376.2% . For the six months ended June 30, 2014, general and administrative expenses included \$4,429,247 in expenses for common stock awards to employees and consultants for their services, compared to \$53,042 for the same period in 2013. Excluding stock award costs, our net general and administrative expenses for the six months ended June 30, 2014 were \$5,214,697, an increase of \$3,242,496 or 164.4% over the \$1,972,201 of such expenses for the same period of 2013. This increase was primarily attributable to costs related to the capital raise that occurred in the first quarter of 2014.

**(f) Research and development**

Research and development expenses were \$2,143,930 for the six months ended June 30, 2014, compared to \$1,362,156 from the same period in 2013, an increase of \$781,774 or 57.4% . This increase was primarily due to our increased costs of materials, testing and inspection related to the development and commercialization of our new EV model - SMA7005BEV, the development of our new auto air conditioning system, and the development of our EV intelligent control system used in our EV products.

**(g) Government grants**

Government grants totaled \$153,700 for the six months ended June 30, 2014, an increase of \$103,893 or 208.6% from \$49,807 in the corresponding period in 2013. The increases were largely due to the awards from the Chinese government for promoting local business.

**(h) Net interest (expense) income**

Net interest expense was \$686,175 for the six months ended June 30, 2014, compared to \$1,287,810 for the same period last year, a decrease of \$601,635 or 46.7% . This change was primarily attributable to an increase in interest income earned on loans made to third parties. For the six months ended June 30, 2014, we recorded interest income of \$1,232,135, which included \$1,210,287 earned on loans made to third parties and \$21,848 earned on bank deposits. For the six months ended June 30, 2014, we recorded interest expense of \$1,918,311, which included bank loan interest of \$1,169,626 and bond interest of \$748,685.

**(i) Change in fair value of financial instruments**

For the six months ended June 30, 2014, the expense related to changes in the fair value of the derivative liability relating to the warrants issued to investors and placement agents was \$3,372,602, compared to \$92,339 for the same period of last year, an increase of \$3,280,263 or 3,552.4% . The increase was largely due to the increase of our stock price during this year.

**(j) Share of (Loss) of Associated Company**

Investment losses were \$92,992 for the first six months ended June 30, 2014, compared to a loss of \$29,540 for the corresponding period in 2013, an increase of \$63,452 or 214.8% . For the six months ended June 30, 2014 and 2013, these losses were attributable to our 30% equity interest investment in Jinhua Service. As of June 30, 2014, Jinhua Service ceased its operations and will be dissolved. As a result, we wrote off the remaining investment in this entity and associated liabilities due to this entity.

**(k) Share of Profit (Loss) after Tax of the JV Company**

The JV Company recorded net income of \$2,385,818 for the six-month period ended June 30, 2014. We accounted for our investments in the JV Company under the equity method of accounting as we have a 50% ownership interest in the JV Company. As a result, we recorded 50% of the JV Company's profit, or \$1,192,909 for the six-month period ended June 30, 2014. After eliminating intra-entity profits and loss, our share of the after tax profit of the JV Company was \$1,718,830 for the six months ended June 30, 2014, compared to a loss of \$10,376 representing our share of the JV Company's loss for the same period of last year. We expect the JV Company will continue to perform well as the demand for EV products continues to grow in China, as evidenced by the orders from Hangzhou Public EV Sharing System (the "Carshare" Project). Also refer to Note 21.

**(l) Other Income, Net**

Other income was \$119,827 for the six months ended June 30, 2014, compared to \$176,513 for the same period of last year, a decrease of \$56,686, or 32.1% . This decrease was primarily attributable to the decrease in lease income we received during this reporting period.

**(m) Net income (loss)**

We incurred a net loss of \$2,929,075 for the six months ended June 30, 2014, compared to net income of \$1,192,573 for the same period in 2013, a change of \$4,121,648 or 345.6% . The net loss was primarily attributable to the change in the fair value of warrant derivatives and the expense incurred for stock awards.

Excluding (i) the effects of stock award expenses, which were \$4,429,247 and \$53,042 for the six months ended June 30, 2014 and 2013, respectively, and (ii) the change of the fair value of financial derivatives, which were expenses of \$3,372,602 and \$92,339 for the six months ended June 30, 2014 and 2013, respectively, our net income was \$4,872,774 (non-GAAP) for the six months ended June 30, 2014 as compared to net income of \$1,337,954 (non-GAAP) for the same period of 2013, an increase of \$3,534,820 or 264.2%. The increase in such net income was primarily attributable to the increase of revenue and gross profits during the first half year of 2014.

The Company makes reference to certain non-GAAP financial measure, i.e., the adjusted net income. Management believes that such adjusted term is useful to investors in evaluating the Company's operating performance because it presents a meaningful measure of corporate performance. See the non-GAAP reconciliation table below. Any non-GAAP measures should not be considered as a substitute for, and should only be read in conjunction with, measures of financial performance prepared in accordance with GAAP.

	<b>Six Months Ended June 30</b>	
	2014	2013
GAAP net (loss) income	\$ (2,929,075)	\$ 1,192,573
Stock award expenses	4,429,247	53,042
Change of the fair value of financial derivatives	3,372,602	92,339
Non-GAAP net income	4,872,774	1,337,954

*Comparison of Three Months Ended June 30, 2014 and 2013*

The following table sets forth the amounts and percentage relationship to revenue of certain items in our condensed consolidated statements of income and comprehensive income.

	<b>For Three Months Ended June 30, 2014</b>	<b>% Of Revenue</b>	<b>For Three Months Ended June 30, 2013</b>	<b>% Of Revenue</b>	<b>Change In Amount</b>	<b>Change In %</b>
<b>REVENUES, NET</b>	\$ 32,960,055	100.0%	\$ 12,157,827	100%	\$ 20,802,228	171.1%
<b>COST OF GOODS SOLD</b>	(25,738,967)	(78.1%)	(9,350,206)	(76.9%)	(16,388,761)	175.3%
<b>GROSS PROFIT</b>	7,221,088	21.9%	2,807,621	23.1%	4,413,467	157.2%
Research and development	(971,673)	(2.9%)	(672,491)	(5.5%)	(299,182)	44.5%
Selling and distribution expenses	(435,894)	(1.3%)	(71,420)	(0.6%)	(364,474)	510.3%
General and administrative expenses	(3,173,178)	(9.6%)	(1,332,279)	(11.0%)	(1,840,899)	138.2%

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<b>INCOME FROM OPERATIONS</b>	2,640,343	8.0%	731,431	6.0%	1,908,912	261.0%
Interest (expense) income, net	(214,995)	(0.7%)	(617,601)	(5.1%)	402,606	(65.2%)
Change in fair value of financial instruments	8,941,569	27.1%	(1,082,735)	(8.9%)	10,024,304	(925.8%)
Government grants	153,700	0.5%	49,807	0.4%	103,893	208.6%
Share of (loss) invested in associated company	(77,187)	(0.2%)	(15,517)	(0.1%)	(61,670)	397.4%
Share of loss after tax of JV	(9,526)	(0.0%)	(10,376)	(0.1%)	850	(8.2%)
Other income, net	60,247	0.2%	54,148	0.4%	6,099	11.3%
<b>INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES</b>	11,494,151	34.9%	(890,843)	(7.3%)	12,384,994	(1390.3%)
<b>INCOME TAX (EXPENSE)</b>	(337,066)	(1.0%)	(153,457)	(1.3%)	(183,609)	119.6%
<b>NET INCOME (LOSS)</b>	\$ 11,157,085	33.9%	\$ (1,044,300)	(8.6%)	\$ 12,201,385	(1168.4%)

**(a) Revenue**

For the three months ended June 30, 2014, our revenue was \$32,960,055 compared to \$12,157,827 for the three months ended June 30, 2013, an increase of \$20,802,228 or 171.1%. The increase of revenue was mainly due to the commencement of sales of EV parts in the first quarter of 2014 and increased EV products sales during the second quarter of 2014. The EV products revenue, which was derived primarily from the sale of Kandi 7001 model, increased \$11,217,339 or 552.1% year over year. Of the total revenues during the three months ended June 30, 2014, approximately 52.3% of total revenue resulted from the sales of EV parts and approximately 40.2% of total revenues resulted from the sales of EV products. ATV and Go-Kart revenues for the three months ended June 30, 2014 decreased 62.6% and 76.3%, respectively, year over year due to our realignment of our product mix for more efficient use of our resources to grow our business in the fast-growing EV market in China. The OEM business is a newly-added business line during the second quarter mainly to assemble EV products for the JV Company.

The following table summarizes our revenues as well as the unit sold by product types for the three months ended June 30, 2014 and 2013:

	Three Months Ended June 30,			
	2014		2013	
	Unit	Sales	Unit	Sales
EV parts	29,331	\$ 17,224,231	-	-
EV products	911	13,249,212	330	\$ 2,031,873
Go-Kart	1,774	1,686,355	8,500	7,105,600
ATV	1,002	644,727	3,546	1,722,779
Auto generator	-	-	16,385	549,591
Three wheeled motorcycle	-	-	81	166,349
OEM - EV	320	155,530	-	-
Utility vehicles ( UTVs )	-	-	100	285,145
Refitted car	-	-	11	296,490
Total	33,338	\$ 32,960,055	28,953	\$ 12,157,827

The following table shows the breakdown of our revenues from our customers during the three months ended June 30, 2014 and 2013 by geographical markets based on the location of the customer:

	Three Months Ended June 30,			
	2014		2013	
	Sales	Percentage	Sales	Percentage
North America	\$ 1,554,096	5%	\$ 1,095,453	9%
China	30,700,879	93%	10,855,663	89%
Europe & other region	705,080	2%	206,711	2%
Total	\$ 32,960,055	100%	\$ 12,157,827	100%

**(b) Cost of goods sold**

Cost of goods sold during the three months ended June 30, 2014 was \$25,738,967, representing an increase of \$16,388,761, or 175.3%, compared to \$9,350,206 for three months ended June 30, 2013. This increase was mainly due to the increase in corresponding sales. However, the increase in cost of goods sold outpaced the growth of our revenues, which was largely due to relatively less profitable raw material purchases in our newly-added EV parts product line, and the sale of EV parts accounted for 52.3% of total revenue for the three months ended June 30, 2014. As a result, cost of goods sold for our EV parts product line comprised the majority, or 56.3%, of the total cost of goods sold for the three months ended June 30, 2014. The battery sales corresponding cost of goods sold accounted for 26.4% of total cost of goods sold.



For the three months ended June 30, 2014, excluding the battery business mentioned above, our cost of raw materials had a decrease of 0.31% compared to the sales increase in the same period of time year over year.

Excluding the battery business mentioned above, total wages and salaries for the three months ended June 30, 2014, had an increase of 0.63% compared to the sale increase in the same period of time year over year.

Excluding the battery business mentioned above, our other overhead costs for the three months ended June 30, 2014 had a decrease of 5.84% compared to the sales increase in the same period of time year over year.

For the three months ended June 30, 2014, raw material costs comprised approximately 93.7% of total cost of goods sold, labor costs comprised approximately 2.5% of total cost of goods sold, and manufacturing overhead comprised approximately 3.8% of the total cost of goods sold. For the three months ended June 30, 2013, raw material costs comprised approximately 89.2% of total cost of goods sold, labor costs comprised approximately 3.0% of total cost of goods sold, and manufacturing overhead comprised approximately 7.8% of the total cost of goods sold.

**(c) Gross profit**

Gross profit for the second quarter of 2014 increased 157.2% to \$7,221,088, compared to \$2,807,621 for the same period last year. This was primarily attributable to our significantly increased revenue during the quarter. Our gross margin decreased to 21.9% compared to 23.1% for the same period of 2013. The decreased gross margin was mainly because a large portion of our revenue growth during the second quarter came from the relatively less profitable EV parts product line, which accounted for 52.3% of total revenue for the quarter and had 15.9% of gross margin compared to 21.9% of gross margin for the company as a whole.

**(d) Selling and distribution expenses**

Selling and distribution expenses were \$435,894 for the three months ended June 30, 2014, compared to \$71,420 for the same period in 2013, an increase of \$364,474 or 510.3%. This increase was primarily attributable to a charge of \$303,647 for repair and maintenance warranty during the second quarter of 2014 as discussed above. Excluding this charge, the selling and distribution expenses for the three months ended June 30, 2014 increased \$60,827 or 85.2% as compared to the same period of last year, which was largely due to the increases of the expenses in trade shows and advertising as we increased sales and marketing efforts during the quarter.

**(e) General and administrative expenses**

General and administrative expenses were \$3,173,178 for the three months ended June 30, 2014, compared to \$1,332,279 for the same period in 2013, an increase of \$1,840,899 or 138.2%. For the three months ended June 30, 2014, general and administrative expenses included \$1,008,616 in expenses for common stock awards to employees and consultants, compared to \$35,350 for the same period in 2013. Excluding stock award costs, our net general and administrative expenses for the three months ended June 30, 2014 were \$2,164,562, an increase of \$867,633, or 66.9%, from \$1,296,929 for the same period of 2013. The increase was largely due to the increased office expenses during the quarter.

**(f) Research and development**

Research and development expenses were \$971,673 for the three months ended June 30, 2014, compared to \$672,491 from the same period in 2013, an increase of \$299,182 or 44.5%. This increase was primarily due to our increased costs of material, testing and inspection related to the development and commercialization of our new EV model - SMA7005BEV, the development of our new auto air conditioning system, and the development of our EV intelligent control system used in our EV products.



**(g) Government grants**

Government grants totaled \$153,700 for the three months ended June 30, 2014, an increase of \$103,893 or 208.6% from \$49,807 in the corresponding period in 2013. The increases were largely due to the awards from the Chinese government for promoting local business.

**(h) Net interest (expense) income**

Net interest expense was \$214,995 for the three months ended June 30, 2014, compared to \$617,601 for the same period last year, a decrease of \$402,606 or 65.2% . This change was primarily attributable to an increase in interest income earned on loans made to third parties. For the three months ended June 30, 2014, we recorded interest income of \$748,842, which included \$739,145 earned on loans made to third parties and \$9,697 earned on bank deposits. For the three months ended June 30, 2014, we recorded interest expense of \$963,838, which included bank loan interest of \$590,979 and bond interest of \$372,859.

**(i) Change in fair value of financial instruments**

For the three months ended June 30, 2014, the income related to changes in the fair value of derivative liability relating to the warrants issued to investors and placement agents was \$8,941,569, compared to an expense of \$1,082,735 for the same period of last year, a change of \$10,024,304 or 925.8% .

**(j) Share of (Loss) of Associated Company**

Investment losses were \$77,187 for the three months ended June 30, 2014, compared to a loss of \$15,517 for the corresponding period in 2013, an increase of \$61,670 or 397.4% primarily due to the write-off of our investment in Jinhua Service as this entity ceased operation and will be dissolved. For the three months ended June 30, 2014 and 2013, these losses were attributable to our 30% equity interest investment in Jinhua Service.

**(k) Share of Profit (Loss) after Tax of the JV Company**

The JV Company recorded a net income of \$728,994 for the three-month period ended June 30, 2014. As a result, we recorded 50% of its profit, or \$364,497 for the three month period ended June 30, 2014, due to our 50% ownership interest in the JV Company. After eliminating intra-entity profits and losses, our share of the after tax loss of the JV Company was \$9,526 for the three months ended June 30, 2014, compared to \$10,376 for the same period of last year, a decrease in loss of \$850 or 8.2% . Also refer to Note 21.

**(l) Other Income, Net**

Net other income was \$60,247 for the three months ended June 30, 2014, compared to \$54,148 for the same period of last year, an increase of \$6,099 or 11.3% . The increase was largely due to the sales of scrap.

**(m) Net income**

Net income was \$11,157,085 for the three months ended June 30, 2014, compared to net loss of \$1,044,300 for the same period in 2013, a change of \$12,201,385 or 1168.4% . The increase in net income was primarily attributable to the change in the fair value of warrants.

Excluding (i) the effects of stock award expenses, which were \$1,008,616 and \$35,350 for the three months ended June 30, 2014 and 2013, respectively, and (ii) the change of the fair value of financial derivatives, which was an income of \$8,941,569 and an expense of \$1,082,735 for the three months ended June 30, 2014 and 2013, respectively, our net income was \$3,224,132 (non-GAAP) for the three months ended June 30, 2014 as compared to a net income

of \$73,785 (non-GAAP) for the same period of 2013, an increase of \$3,150,347 or 4269.6%. This increase in net income was primarily attributable to the increase of revenue and gross profits during the six-month period.

The Company makes reference to certain non-GAAP financial measure, i.e., the adjusted net income. Management believes that such adjusted term is useful to investors in evaluating the Company's operating performance because it presents a meaningful measure of corporate performance. See the non-GAAP reconciliation table below. Any non-GAAP measures should not be considered as a substitute for, and should only be read in conjunction with, measures of financial performance prepared in accordance with GAAP.

	<b>Three Months Ended June 30</b>	
	2014	2013
GAAP net (loss) income	\$ 11,157,085	\$ (1,044,300)
Stock award expenses	1,008,616	35,350
Change of the fair value of financial derivatives	(8,941,569)	1,082,735
Non-GAAP net income	3,224,132	73,785

**Financial Condition****Liquidity and Capital Resources****Working Capital**

We had a working capital surplus of \$28,708,114 as of June 30, 2014, compared to a working capital deficit of \$34,705,168 as of June 30, 2013.

As of June 30, 2014, the amount of advances to suppliers was \$52,841,904, which included the advance of RMB 323 million, or approximately \$52,454,650, for a prepayment by Kandi Wanning to an equipment supplier - Nanjing Shangtong Auto Technologies Co., Ltd. ( Nanjing Shangtong ) for equipment purchases relating to develop Kandi Wanning s manufacturing factory in Wanning. The equipment will be purchased and delivered according to the construction schedule and development of Kandi Wanning. This advance will be used to offset the equipment purchase price upon delivery.

As of June 30, 2014, we had credit lines from commercial banks of \$53,266,642, of which \$33,778,846 was used as of June 30, 2014.

We believe that our cash flows generated internally may not be sufficient to support the future growth in our operations and to repay short-term bank loans for the next twelve (12) months, if needed. However, we believe our access to existing financing sources and established relationships with PRC banks will enable us to meet our obligations and fund our ongoing operations.

We have historically financed our operations through short-term commercial bank loans from PRC banks. The term of these loans is typically for one year, and upon the payment of all outstanding principal and interest on a particular loan, the banks have typically rolled over the loan for additional one-year terms, with adjustments made to the interest rate to reflect prevailing market rates. We believe this situation has not changed and that short-term bank loans will be available on normal trade terms if needed.

On March 24, 2014, we raised approximately \$11.05 million by selling an aggregate of 606,000 shares of our common stock to two institutional investors at a price of \$18.24 per share. As part of the transaction, we also issued to the investors warrants for the purchase of up to 90,900 shares of common stock at an exercise price of 22.80 per share, which warrants have a term of 18 months from the date of issuance.

**Capital Requirements and Capital Provided**

Capital requirements and capital provided for the six months ended June 30, 2014 were as follows:

	<b>Six Months Ended June 30, 2014 (In thousands)</b>
<b><u>Capital requirements</u></b>	

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Purchase of plant and equipment	\$	309
Purchases of land use rights		1,670
Purchase of construction in progress		23
Issuance of notes receivable		21,468
Repayments of short-term bank loans		16,764
Repayments of notes payable		16,601
Internal cash used in operations		37,184
Total capital requirements	\$	94,019

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**Capital provided**

Repayments of notes receivable	26,020
Decrease in restricted cash	2
Proceeds from short-term bank loan	16,764
Proceeds from notes payable	13,021
Common stock and warrants issued	11,068
Warrant exercise	22,448
Other financing activities	4,406
Decrease in cash	1,475
Total capital provided	\$ 95,204

For further information, see the Statement of Cash Flows.

The difference between capital provided and capital requirement is the effect of exchange rate changes over the past six months.

**Cash Flow**

For the six months ended June 30, 2014, cash used in operating activities was \$37,184,388, as compared to cash used in operating activities of \$16,260,637 for the six months ended June 30, 2013. The major operating activities that provided cash for the six months ended June 30, 2014 were an increase in accounts payable of \$31,083,370 and a decrease in accounts receivable of \$11,955,855. The major operating activities that used cash for the six months ended June 30, 2014 were net loss of \$2,929,075, an increase in receivables from JV of \$31,680,191, an increase in prepayment and prepaid expenses of \$44,194,377, and an increase in inventories of \$8,544,033.

Cash provided by investing activities for the six months ended June 30, 2014 was \$2,550,376, as compared to cash used in investing activities of \$36,267,144 for the six months ended June 30, 2013. Cash provided by investing activities for the six months ended June 30, 2014 was primarily the result of the repayment of notes receivable of \$26,020,234. Cash used in investing activities for the six months ended June 30, 2014 was primarily the result of the issuance of notes receivable of \$21,468,326.

Cash provided by financing activities for the six months ended June 30, 2014 was \$34,342,308, as compared to cash provided by financing activities of \$51,261,846 for the six months ended June 30, 2013. Cash provided by financing activities for the six months ended June 30, 2014 was primarily the result of proceeds from short-term loans of \$16,764,023, proceeds from notes payable of \$13,020,600, common stock and warrants issued of \$11,067,734, and warrant exercises of \$22,447,914. Cash used in financing activities for the six months ended June 30, 2014 was primarily the result of repayment of short-term loans of \$16,764,023 and repayments of notes payable of \$16,601,265.

As of June 30, 2014, we had unrestricted cash of \$11,287,620. Our total current assets were \$146,098,513, and our total current liabilities were \$117,390,399, which resulted in a net working capital of \$28,708,114.

**Recent Development Activities:**

On July 1, 2014, Mr. Zhou Guohui, Head of Science and Technology Department of Zhejiang Province, Mr. Li Shufu, Chairman of the Board of Directors of the JV Company and Mr. Hu Xiaoming, President of the JV Company, made a special visit to Mr. Wan Gang, the Minister of PRC Ministry of Science and Technology, presenting the industrial development of the JV Company, the group long-term lease project, and the business model utilizing pure electric vehicles in Hangzhou Public EV Sharing System (the Car-Share Project), by which Minister Wan provided full support and promised to go to Hangzhou in furtherance of promotion at an appropriate time.

On July 9, 2014, the first supplier conference of the JV Company was successfully held in Hangzhou First World Hotel. The mutual goal was to seize opportunities to achieve win-win outcomes. With an aim to strengthen communication between the JV Company and its suppliers, so as to establish an effective platform and beneficial long-term relationships, the conference attracted more than 160 suppliers across the country. In the conference, the debut of Kandi's "Urban Beauty" EV model was made. This EV model was newly developed by the JV Company. All delegates showed great interest as the level of intelligence in this newly developed pure electrical vehicle largely exceeds previous standard.

At the same time, a research institute aimed at developing small-size electric vehicle was established to meet market demand and fulfill customer's need and Mr. Yu Wei was appointed as the head of the institute.

From April to July 2014, government officials from many pilot cities for new energy vehicle visited the JV Company to learn more about the business model of the Car-Share Project and group long-term lease.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

#### **Exchange Rate Risk**

Our operations are conducted mainly in The People's Republic of China (the PRC). As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in Chinese Renminbi (RMB), which is our functional currency. Accordingly, our operating results are affected by changes in the exchange rate between the U.S. dollar and RMB currencies.

#### **Economic and Political Risks**

Our operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment in the PRC and foreign currency exchange. Our performance may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

We have evaluated, under the supervision of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of disclosure controls and procedures as of June 30, 2014. This is done in order to ensure that information we are required to disclose in reports that are filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act), is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2014, due to significant deficiencies in internal controls, which, in the aggregate, lead to a conclusion that a material weakness exists in the control environment as follows:

1. We have a lack of adequate policies and procedures in internal audit function, which may potentially result in: (1) lack of communication between our internal audit department and the Audit Committee and our Board of Directors; (2) insufficient internal audit work to ensure that our policies and procedures have been carried out as planned.

2. There was no self-assessment performed by the Audit Committee to assess the effectiveness of its in oversight of management.
3. We have an inadequate design of internal controls over the approval procedures for related-party transactions.

### **Changes in Internal Control over Financial Reporting**

During the first six months of 2014, we took the initiative to enhance the effective and timely communication between our internal audit department and our Audit Committee. We reorganized our internal audit department so that the head of such department reports directly to the Audit Committee on any reportable issue to enhance the independence and objectivity of the internal audit function. In addition, the internal audit department revisited the policies and procedures of internal audit and made modification to keep internal audit workflow in compliance with SEC requirements. On May 30, 2014, the Audit Committee of the Board of Directors held a special meeting and approved the new Internal Audit Activity Charter.

During the first six months of 2014, the Board of Directors also evaluated the design of internal controls over the approval procedures for related-party transactions, and developed a set of revised approval procedures for related-party transactions. On May 30, 2014, the Audit Committee of the Board of Directors held a special meeting and approved the new Management Policy on Related Party Transactions.

In July 2014, the Chairman of the Audit Committee of the Board of Directors met with our management, our internal audit team and our independent auditor to review the progress of implementation of the remediation measures and spearheaded a comprehensive remediation plan to fully address the deficiencies in our internal controls. We intend to complete the project in a timely fashion and will conduct quarterly assessments of the state of our financial reporting measures and systems, as a whole.

Aside from the remediation measures that we initiated during this reporting period described above, there was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

On November 21, 2013, the Company received a subpoena from the SEC seeking the production of various categories of documents in an investigation entitled *In the Matter of Kandi Technologies Group, Inc.* The Company has cooperated fully with the SEC's investigation and intends to continue doing so by providing whatever documents and other information requested. The Company has no information at present regarding the duration or outcome of the investigation. The November 21, 2013 subpoena stated that the investigation is a fact-finding inquiry and its existence does not mean that any laws have been violated. While impossible to predict definitively, the Company does not anticipate a negative result.

### **Item 1A. Risk Factors.**

*If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.*

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. As directed by Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on our internal controls over financial reporting in their annual reports. As of June 30, 2014, our SOX certifying officers concluded that, the Company's disclosure controls and procedures were not effective as of June 30, 2014, due to significant deficiencies in internal controls, which, in the aggregate, lead to a conclusion that a material weakness exists in the control environment.

As a result, we are in the process of improving our internal control procedures. Although we believe that we achieved significant progress in addressing the identified material weaknesses, in our view, such efforts have not yet yielded the results required to fully remediate the material weaknesses. This remediation work is ongoing and we intend to complete it in a timely fashion. If we cannot provide financial reports or prevent fraud, our business reputation and operating results could be harmed. Inferior internal controls also could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

**Item 6. Exhibits**

Exhibit Number Description

31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934

31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934

32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to § 906 of the Sarbanes-Oxley Act of 2002\*\*

Exhibit 101.INS XBRL Instance Document.\*\*

Exhibit 101.SCH XBRL Taxonomy Extension Schema Document.\*\*

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.\*\*

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document.\*\*

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.\*\*

Exhibit 101.DEF XBRL Taxonomy Definitions Linkbase Document.\*\*

\*\* Furnished and not deemed filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise not subject to liability under these sections.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Kandi Technologies Group, Inc.**

Date: August 11, 2014

By: /s/ Hu Xiaoming  
Hu Xiaoming  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 11, 2014

By: /s/ Zhu Xiaoying  
Zhu Xiaoying  
Chief Financial Officer  
(Principal Financial Officer and Principal  
Accounting  
Officer)

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>0.0

Other secured obligations

32.6

Total secured debt

32.6

5.125% Senior Notes due 2021

	700.0
63/8% Senior Notes due 2022	
	350.0
51/4% Senior Notes due 2023	
	400.0
5.500% Senior Notes due 2024	
	500.0
5.000% Senior Notes due 2026	
	400.0
Other unsecured obligations	
	4.2
Total debt	
	2,386.8
Redeemable non-controlling interest	

111.2

Total Equity

2,777.5

Total capitalization

\$

5,275.5

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(1) Pursuant to the terms of our Senior Secured Credit Facility, as of December 31, 2016, we had \$1.2 billion of undrawn borrowing availability under our revolving credit facility, reduced by \$12.4 million of undrawn letters of credit and other obligations.

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**THE EXCHANGE OFFER**

**Purpose of the Exchange Offer**

We issued the unregistered Old Notes on December 6, 2016, in a private placement to certain initial purchasers pursuant to a Purchase Agreement, and the initial purchasers resold the Old Notes to a limited number of qualified institutional buyers as defined in Rule 144A under the Securities Act in reliance on that rule, and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. On December 6, 2016, we also entered into an original Indenture and a Registration Rights Agreements. The Registration Rights Agreement requires that we file a registration statement under the Securities Act (of which this prospectus forms a part) with respect to the Exchange Notes to be issued in the Exchange Offer and, upon the effectiveness of the registration statement, offer to you the opportunity to exchange your Old Notes for a like principal amount of Exchange Notes. Accordingly, by this Exchange Offer, subject to and upon the terms and conditions set forth in this prospectus and in the accompanying letter of transmittal, we are offering to exchange up to \$400.0 million of our 5.000% Senior Notes due 2026 that have been registered under the Securities Act for an equal face amount of our outstanding unregistered 5.000% Senior Notes due 2026 that were issued on December 6, 2016.

Except for the requirements of applicable U.S. federal and state securities laws, there are no federal or state regulatory requirements to be complied with or approvals to be obtained by us in connection with the Exchange which, if not complied with or obtained, would have a material adverse effect on us.

The Exchange Notes will be issued without a restrictive legend and, except as set forth below, may be reoffered and resold by you without registration under the Securities Act. After we complete the Exchange, our obligations with respect to the registration of the Old Notes will terminate, except as provided in the last paragraph of this section. A copy of the original Indenture relating to the Notes and the Registration Rights Agreement have been incorporated by reference into or attached as exhibits to the registration statement of which this Prospectus is a part.

We are making the Exchange Offer in reliance on certain interpretation letters issued by the staff of the SEC, set forth in no-action letters issued to third parties. However, we have not sought our own no-action letter. Based upon these interpretations by the SEC, we believe that, if you are not our affiliate within the meaning of Rule 405 under the Securities Act or a broker-dealer referred to in the next paragraph, the Exchange Notes to be issued to you in the Exchange may be offered for resale, resold and otherwise transferred by you, without compliance with the registration and prospectus delivery provisions of the Securities Act. This interpretation, however, is based on your representation to us that:

- the Exchange Notes to be issued to you in the Exchange are being acquired in the ordinary course of your business;
- you are not engaging in and do not intend to engage in a distribution of the Exchange Notes to be issued to you in the Exchange; and

- you have no arrangement or understanding with any person to participate in the distribution of the Exchange Notes to be issued to you in the Exchange.

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If you tender your Old Notes in the Exchange for the purpose of participating in a distribution of the Exchange Notes to be issued to you in the Exchange, you cannot rely on this interpretation by the staff of the SEC. Under those circumstances, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives Exchange Notes in the Exchange for its own account in exchange for Old Notes that were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of those Exchange Notes. See Plan of Distribution.

**Shelf Registration**

In the event that (i) the Company and the Subsidiary Guarantors determine that the Exchange Offer, as described herein, is not available or may not be consummated as soon as practicable because it would violate applicable law or the applicable interpretations of the staff of the SEC, (ii) the Exchange Offer is not for any other reason consummated by December 7, 2017, or (iii) the Exchange Offer has not been completed and in the opinion of counsel for the initial purchasers a registration statement must be filed and a prospectus must be delivered by the initial purchasers in connection with any offering or sale of the Old Notes, we and the Subsidiary Guarantors will use our reasonable best efforts, at our cost, to cause to be filed and to become effective a shelf registration statement with respect to resale of the Old Notes. We will use our best efforts to keep such shelf registration statement continuously effective until the second anniversary of the Closing Date or such shorter period that will terminate when all the Old Notes covered by the shelf registration statement have been sold pursuant to the shelf registration statement. In the event of such a shelf registration, we will provide to each holder copies of the prospectus, notify each holder when the shelf registration statement for the Old Notes has become effective and take certain other actions as are required to permit resale of the Old Notes. A holder that sells its Old Notes pursuant to the shelf registration statement (1) generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, (2) will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and (3) will be bound by the provisions of the registration rights agreement that are applicable to such a holder (including certain indemnification obligations).

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**THE EXCHANGE**

We will issue \$1,000 principal amount of Exchange Notes in exchange for each \$1,000 principal amount of Old Notes validly tendered and accepted in the Exchange. You may tender some or all of your Old Notes pursuant to the Exchange. However, Old Notes may be tendered only in the principal amount of \$2,000.00 or integral multiples of \$1,000 in excess thereof.

In connection with the issuance of the Old Notes, we arranged for the Old Notes purchased by qualified institutional buyers and those sold in reliance on Regulation S under the Securities Act to be issued and transferable in book-entry form through the facilities of DTC, acting as a depository. Except as otherwise described under Description of the Exchange Notes, the Exchange Notes will be issued in the form of one or more global notes registered in the name of DTC or its nominee, and each beneficial owner's interest in it will be transferrable in book-entry form through DTC.

Upon consummation of the Exchange Offer, the Exchange Notes will have different CUSIP and ISIN numbers than the unregistered Old Notes.

The form and terms of the Exchange Notes are identical in all material respects to those of the Old Notes, except that the Exchange Notes to be issued in the Exchange will have been registered under the Securities Act, will not bear legends restricting their transfer, will not carry any further registration rights and will not be entitled to the additional interest provisions applicable to the Old Notes. Holders of Old Notes do not have any appraisal or dissenters' rights in connection with the Exchange Offer.

Old Notes that are not tendered for exchange, or are tendered but not accepted in connection with the Exchange Offer, will remain outstanding and will remain entitled to the benefit of the Indenture. The Exchange Notes, just as the Old Notes, will be issued pursuant to, and entitled to the benefits of, the Indenture, and the Exchange Notes and the Old Notes will be deemed to constitute one issue of Notes under the Indenture.

As of the date of this prospectus, \$400.0 million in aggregate principal amount of 5.000% Old Notes due 2026 were outstanding. The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered or accepted for exchange. This prospectus, together with the letter of transmittal, is being sent to all registered holders and to others believed to have beneficial interests in the Old Notes.

The Exchange Agent will act as our agent for the tendering holders for the purpose of receiving the Exchange Notes from us. You will not be required to pay brokerage commissions or fees or, except as set forth below under Transfer Taxes, transfer taxes with respect to the exchange of your Old Notes in the Exchange. We will pay all charges and expenses, other than certain applicable taxes, in connection with the Exchange. See Fees and Expenses below.

**Expiration Date, Extensions and Amendments**

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The Exchange will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2017 (the Expiration Date), unless we determine, in our sole discretion, to extend the Exchange Offer, in which case it will expire at the later date and time to which it is extended. We will keep the Exchange Offer open for the period indicated, and in no event for a period less than a full twenty business days. We do not currently intend to extend the Exchange Offer, although we reserve the right to do so at any time or from time to time prior to the Expiration Date. If we extend the Exchange Offer, we will give written notice to Wells Fargo Bank, National Association, the Exchange Agent, and will provide a public announcement to that effect, communicated no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date, unless otherwise required by applicable law, by issuing a news release to PR Newswire or other wire service. During any extension of the Exchange Offer, all Old Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by us. If we amend the Exchange in a manner which we consider to constitute a material change, we will promptly disclose such amendment by means of a prospectus supplement that we will distribute to each registered holder of Old Notes.

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We also reserve the right, in our sole discretion,

- to delay accepting any Old Notes or, if any of the conditions set forth below under Certain Conditions to The Exchange have not been satisfied or waived, to terminate the Exchange by giving oral or written notice of such delay or termination to the Exchange Agent, or
- to amend the terms of the Exchange in any manner by complying with Rule 14e-1(d) under the Exchange Act to the extent that rule applies.

We acknowledge and undertake to comply with the provisions of Rule 14e-1(c) under the Exchange Act, which requires us to pay the consideration offered, or return the Old Notes surrendered for exchange, promptly after the termination or withdrawal of the Exchange. We will notify you as promptly as we can of any extension, termination or amendment.

The Exchange Offer is not being made to, nor will we accept tenders for exchange from, holders of unregistered Old Notes in any jurisdiction in which an Exchange Offer or the acceptance of an Exchange Offer would not be in compliance with the securities laws or blue sky laws of such jurisdiction.

In the event that the Exchange Offer is not consummated on or prior to the date that is 366 days after the Closing Date of December 6, 2016, the annual interest rate borne by the Old Notes will be increased thereafter by .5% over the rate shown on the cover page of this prospectus. Once the Exchange Offer are consummated or the shelf registration statement is declared effective, the annual interest rate borne by the Old Notes shall be changed to again be the rate shown on the cover page of this prospectus.

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**PROCEDURES FOR TENDERING OLD NOTES**

The tender of Old Notes by you pursuant to any one of the procedures set forth below will constitute an agreement between you and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal.

**Book-Entry Interests**

The Old Notes were issued as global securities in fully registered form without interest coupons. Beneficial interests in the global securities, held by direct or indirect participants in DTC, are shown on, and transfers of these interests are effected only through, records maintained in book-entry form by DTC with respect to its participants.

If you hold your Old Notes in the form of book-entry interests and you wish to tender your Old Notes for exchange pursuant to the Exchange Offer, you must transmit to the Exchange Agent at the address set forth on the cover page of the letter of transmittal, on or prior to the expiration date, either:

- a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other documents required by such letter of transmittal, to the Exchange Agent; or
- a computer-generated agent's message, transmitted by means of DTC's Automated Tender Offer Program system (ATOP) to the agent's account at DTC, and received by the Exchange Agent, constituting a part of a confirmation of book-entry transfer, in which you acknowledge and agree to be bound by the terms of the letter of transmittal and that we may enforce the terms of the letter of transmittal against the holder.

In addition, in order to deliver Old Notes held in the form of book-entry interests:

- a timely confirmation of book-entry transfer of such Notes into the Exchange Agent's account at DTC, in accordance with DTC's procedures governing book-entry transfers, must be received by the Exchange Agent prior to the Expiration Date; or
- you must comply with the guaranteed delivery procedures described below.

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The method of delivery of Old Notes and the letter of transmittal and all other required documents to the Exchange Agent is at your election and risk. Instead of delivery by mail, we recommend that you use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the Exchange Agent before the Expiration Date. You should not send the letter of transmittal or Old Notes to us or to DTC.

You may request your broker, dealer, commercial bank, trust company, or nominee to effect the above transactions for you.

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**Certificated Old Notes**

For Old Notes held in certificated form, if any, the holder may tender such Old Notes by:

- properly completing and signing the accompanying letter of transmittal or a facsimile and delivering the letter of transmittal, including all other documents required by the letter of transmittal, together with the certificated Old Notes, or
- complying with the guaranteed delivery procedures described below.

**Procedures Applicable to All Holders**

If you tender an Old Note and you do not validly withdraw the tender prior to the Expiration Date, you will have made an agreement with us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

If your Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your Old Notes, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Old Notes, either make appropriate arrangements to register ownership of the Old Notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a letter of transmittal or a notice of withdrawal must be guaranteed by an eligible institution unless Old Notes tendered in the Exchange are tendered either

- by a registered holder who has not completed the box entitled **Special Registration Instructions** or **Special Delivery Instructions** on the letter of transmittal; or
- for the account of an eligible institution;

and the box entitled **Special Registration Instructions** on the letter of transmittal has not been completed.

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If signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantee must be by a financial institution, which includes most banks, savings and loan associations and brokerage houses, that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program.

If the letter of transmittal is signed by a person other than you, your Old Notes must be endorsed or accompanied by a properly completed bond power and signed by you as your name appears on those Old Notes.

If the letter of transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. Unless we waive this requirement, in this instance you must submit with the letter of transmittal proper evidence satisfactory to us of their authority to act on your behalf.

We will determine, in our sole discretion, all questions regarding the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered Old Notes. This determination will be final and binding. We reserve the absolute right to reject any and all Old Notes not properly tendered or any Old Notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to all tendered Old Notes. Our interpretation of the terms and conditions of the Exchange, including the instructions in the letter of transmittal, will be final and binding on all parties.

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You must cure any defects or irregularities in connection with tenders of your Old Notes within the time period we will determine, unless we waive that defect or irregularity. Although we intend to notify you of defects or irregularities with respect to your tender of Old Notes, neither we, the Exchange Agent nor any other person will incur any liability for failure to give this notification. Your tender will not be deemed to have been made and your Old Notes will be returned to you if:

- you improperly tender your Old Notes;
- you have not timely cured any defects or irregularities in your tender; and
- we have not waived those defects, irregularities or improper tender.

In this event, the Exchange Agent will return your Old Notes, unless otherwise provided in the letter of transmittal, promptly following the expiration of the Exchange.

In addition, we reserve the right in our sole discretion to:

- purchase or make Offer for, or offer Exchange Notes for, any Old Notes that remain outstanding subsequent to the expiration of the Exchange Offer;
- terminate the Exchange Offer; and
- to the extent permitted by applicable law, purchase Old Notes in the open market, in privately negotiated transactions or otherwise.

The terms of any of these purchases or offers could differ from the terms of the Exchange Offer.

By tendering, you will represent to us that, among other things:

- the Exchange Notes to be acquired by you in the Exchange Offer are being acquired in the ordinary course of your business;
- you are not engaging in and do not intend to engage in a distribution of the Exchange Notes to be acquired by you in the Exchange;
- you do not have an arrangement or understanding with any person to participate in the distribution of the Exchange Notes to be acquired by you in the Exchange; and
- you are not our affiliate, as defined under Rule 405 of the Securities Act.

In all cases, issuance of Exchange Notes for Old Notes that are accepted for exchange in the Exchange Offer will be made only after timely receipt by the Exchange Agent of either certificates for your Old Notes or a timely book-entry confirmation of your Old Notes into the Exchange Agent's account at DTC, a properly completed and duly executed letter of transmittal, or a computer-generated message instead of the letter of transmittal, and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than you desire to exchange, the unaccepted or non-exchanged Old Notes, or Old Notes in substitution therefor, will be promptly returned without expense to you. In addition, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at DTC pursuant to its book-entry transfer procedures, the non-exchanged Old Notes will be credited to your account maintained with DTC promptly after the expiration or termination of the Exchange Offer.

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The Exchange Agent will establish an account with respect to the book-entry interests at DTC for purposes of the Exchange Offer promptly after the date of this Prospectus. You must deliver your book-entry interest by book-entry transfer to the account maintained by the Exchange Agent at DTC. Any financial institution that is a participant in DTC's systems may make book-entry delivery of book-entry interests by causing DTC to transfer the book-entry interests into the Exchange Agent's account at DTC in accordance with DTC's procedures for transfer.

If one of the following situations occurs:

- you cannot deliver a book-entry confirmation of book-entry delivery of your book-entry interests into the Exchange Agent's account at DTC; or
- you cannot deliver all other documents required by the letter of transmittal to the Exchange Agent prior to the Expiration Date,

then you must tender your book-entry interests according to the guaranteed delivery procedures discussed below.

**Guaranteed Delivery Procedures**

If you desire to tender your Old Notes and your Old Notes are not immediately available or one of the situations described in the immediately preceding paragraph occurs, you may tender if:

- you tender through an eligible financial institution;
- on or prior to 5:00 p.m., New York City time, on the Expiration Date, the Exchange Agent receives from an eligible institution, a written or facsimile copy of a properly completed and duly executed letter of transmittal and notice of guaranteed delivery, substantially in the form provided by us; and
- the certificates for all certificated Old Notes, in proper form for transfer, if any, or a book-entry confirmation, and all other documents required by the letter of transmittal, are received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery.

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The notice of guaranteed delivery may be sent by facsimile transmission, mail or hand delivery. The notice of guaranteed delivery must set forth:

- your name and address;
- the amount of Old Notes you are tendering;
- a statement that your tender is being made by the notice of guaranteed delivery and that you guarantee that within three New York Stock Exchange trading days after the execution of the notice of guaranteed delivery, the eligible institution will deliver the following documents to the Exchange Agent:
  - the certificates for all certificated Old Notes being tendered, in proper form for transfer or a book-entry confirmation of tender;
  - a written or facsimile copy of the letter of transmittal, or a book-entry confirmation instead of the letter of transmittal; and
  - any other documents required by the letter of transmittal.

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**Withdrawal Rights**

You may withdraw tenders of your Old Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

For your withdrawal to be effective, the Exchange Agent must receive a written or facsimile transmission notice of withdrawal at its address set forth below under "The Exchange Agent" prior to 5:00 p.m., New York City time, on the Expiration Date.

The notice of withdrawal must:

- state your name;
  
- identify the specific Old Notes to be withdrawn, including the certificate number, if any, or numbers and the principal amount of withdrawn Notes;
  
- be signed by you in the same manner as you signed the letter of transmittal when you tendered your Old Notes, including any required signature guarantees or be accompanied by documents of transfer sufficient for the Exchange Agent to register the transfer of the Old Notes into your name; and
  
- specify the name in which the Old Notes are to be registered, if different from yours.

We will determine all questions regarding the validity, form and eligibility, including time of receipt, of withdrawal notices. Our determination will be final and binding on all parties. Any Old Notes validly withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to you without cost promptly after withdrawal, rejection of tender or termination of the Exchange. Properly withdrawn Old Notes may be retendered by following one of the procedures described under "Procedures for Tendering Old Notes" above at any time on or prior to 5:00 p.m., New York City time, on the Expiration Date.

**Certain Conditions to the Exchange**

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Notwithstanding any other provision of the Exchange and subject to our obligations under the Registration Rights Agreement, we will not be required to accept for exchange, or to issue Exchange Notes in exchange for, any Old Notes and may terminate or amend the Exchange, if at any time prior to the Expiration Date any of the following events occur:

- any injunction, order or decree has been issued by any court or any governmental agency that would prohibit, prevent or otherwise materially impair our ability to proceed with the Exchange; or
- the Exchange violates any applicable law or any applicable interpretation of the staff of the SEC.

These conditions are for our sole benefit and we may assert them regardless of the circumstances giving rise to them, subject to applicable law. We also may waive in whole or in part at any time and from time to time prior to the Expiration Date any particular condition in our sole discretion. If we waive a condition, we may be required in order to comply with applicable securities laws to extend the expiration date of the Exchange. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of these rights and these rights will be deemed ongoing rights which may be asserted at any time and from time to time; provided, however, that if we decide to waive a condition, we will announce such decision in a manner reasonably calculated to inform holders of such waiver.

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In addition, we will not accept for exchange any Old Notes tendered, and no Exchange Notes will be issued in exchange for any of those Old Notes, if at the time the Old Notes are tendered any stop order is threatened by the SEC or in effect with respect to the registration statement of which this Prospectus is a part or the qualification of the Indenture under the Trust Indenture Act of 1939.

The Exchange is not conditioned on any minimum principal amount of Old Notes being tendered for exchange.

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**THE EXCHANGE AGENT**

We have appointed Wells Fargo Bank, National Association as Exchange Agent for the Exchange. Questions, requests for assistance and requests for additional copies of the prospectus, the letter of transmittal and other related documents should be directed to the Exchange Agent addressed as follows:

**By Registered, Certified or Regular Mail or Overnight Courier:**

Regular Mail or Air Courier:

Wells Fargo Bank , N.A.  
Corporate Trust Operations  
MAC N9300-070  
600 South Fourth Street, 7th FL.  
Minneapolis, MN 55479

Registered or Certified Mail:

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
MAC N9300-070  
P.O. Box 1517  
Minneapolis, MN 55480-1517

Attn: Bondholder Communications

**By Facsimile Transmission (Eligible Institutions Only):**

612-667-6282

**By Telephone:**

800-344-5128

Originals of all documents sent by facsimile should be promptly sent to the Exchange Agent by mail, by hand or by overnight delivery service.

The Exchange Agent also acts as trustee under the Indenture. The Trustee and the Exchange Agent are not responsible for and make no representation as to the validity, accuracy or adequacy of the Prospectus and any of its contents, and are not be responsible for any of our statements or any other person in the Prospectus or in any document issued or used in connection with it or the Exchange Offer. The Trustee and the Exchange Agent make no recommendation to any Holder whether to tender Notes pursuant to the Exchange Offer or to take any other action.

**Fees and Expenses**

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We will pay all registration expenses, including SEC filing fees and fees and expenses of the Exchange Agent, printing, mailing, legal and accounting in connection with the Exchange. However, we will not make any payments to brokers, dealers or other persons soliciting acceptance of this Exchange Offer. We may pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the Old Notes.

### **Transfer Taxes**

You will not be obligated to pay any transfer taxes in connection with a tender of your Old Notes for exchange unless you instruct us to register Exchange Notes in the name of, or request that Old Notes not tendered or not accepted in the Exchange be returned to, a person other than the registered tendering holder, in which event the registered tendering holder will be responsible for the payment of any applicable transfer tax.

### **Accounting Treatment**

The Exchange Notes will be recorded at the carrying value of the Old Notes, as reflected on our accounting records on the date of the Exchange. Accordingly, we will not recognize any gain or loss for accounting purposes upon the consummation of the Exchange. We will amortize the expense of the Exchange over the term of the Exchange Notes under United States generally accepted accounting principles.

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**DESCRIPTION OF THE EXCHANGE NOTES**

The \$400,000,000 principal amount of our Old Notes were, and the \$400,000,000 principal amount of the Exchange Notes, to the extent that the Old Notes are exchanged for Exchange Notes, will be issued under an original Indenture dated as of December 6, 2016, among Steel Dynamics, Inc., as issuer, the Subsidiary Guarantors, as guarantors, and Wells Fargo Bank, National Association, as Trustee (the Indenture ). The terms of the Exchange Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939.

The following is a summary of the material provisions of the Indenture but does not restate the Indenture in its entirety. You can find the definitions of certain capitalized terms used in the following summary under the subheading Definitions in the Indenture. We urge you to read the Indenture because it defines more fully your rights as holders of the Notes. A copy of the Indenture, as amended, is available upon request from Steel Dynamics or may be viewed by reference to the exhibits incorporated by reference into the registration statement of which this Prospectus is a part, which may in turn be accessed through our filings with the SEC, at [www.sec.gov](http://www.sec.gov). For purposes of this Description of the Exchange Notes, the term Steel Dynamics refers only to Steel Dynamics, Inc., and not to any of its subsidiaries.

**General**

The Notes will be issued with a maximum initial aggregate principal amount of \$400.0 million and will be issued in minimum denominations of \$2,000 principal amount and multiples of \$1,000 in excess thereof.

The Notes will be unsecured unsubordinated obligations of Steel Dynamics, and will mature on December 15, 2026. They are guaranteed fully and unconditionally (except as limited as described under Description of the Exchange Notes ) on a joint and several basis by the Subsidiary Guarantors, are senior in right of payment to any future subordinated obligations of the Company, and rank *pari passu* with all existing and future senior unsecured indebtedness of the Company. Steel Dynamics may, without the consent of the holders of the Notes, issue additional Notes (the Additional Notes ). None of these Additional Notes may be issued if an Event of Default (as defined under the subheading Events of Default ) has occurred and is continuing with respect to the Notes. The Notes, the Old Notes and any Additional Notes subsequently issued would be treated as a single class for all purposes under the Indenture.

Each Note will bear interest at the rate of 5.000% per annum from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from the Closing Date. Interest on the Notes will be payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2017. Interest will be paid to Holders of record at the close of business on the June 1 or December 1 immediately preceding the interest payment date (whether or not a business day). Interest will be computed on the basis of a 360-day year of twelve 30-day months on a U.S. corporate bond basis. If any interest payment date, the maturity date or any earlier required repurchase date falls on a day that is not a business day, the required payment will be made on the next succeeding business day and no interest on such payment will accrue in respect of the delay.

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The Notes will be issued in the form of one or more fully registered global notes, which will be deposited with or on behalf of DTC, as the depository, and registered in the name of Cede & Co., DTC's nominee. Beneficial interests in the global notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. No service charge will be made for any registration of transfer or exchange of the Notes, but Steel Dynamics may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

### **Repurchase of Notes upon a Change of Control**

Steel Dynamics must commence, within 30 days of the occurrence of a Change of Control, and consummate an Offer to Purchase for all Notes then outstanding, at a purchase price equal to 101% of their principal amount, plus accrued interest, if any, to the Payment Date.

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Any repurchase made as the result of a Change of Control will comply with any applicable regulations under the federal securities laws of the United States, including Rule 14e-1 under the Exchange Act.

There can be no assurance that Steel Dynamics will have sufficient funds available at the time of any Change of Control to make the repurchase of Notes required by the foregoing covenant as well as any other repayments pursuant to covenants that may be contained in other securities of Steel Dynamics which might be outstanding at the time.

The above described covenant requiring Steel Dynamics to repurchase the Notes will, unless consents are obtained, require Steel Dynamics to repay all indebtedness then outstanding which by its terms would prohibit such Note repurchase, either prior to or concurrently with such Note repurchase.

Steel Dynamics will not be required to make an Offer to Purchase upon the occurrence of a Change of Control if a third party makes an offer to purchase the Notes in the manner, at the times and price, and otherwise in compliance with the requirements of the Indenture applicable to an Offer to Purchase for a Change of Control, and purchases all Notes validly tendered and not withdrawn in such offer to purchase.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Steel Dynamics and its Subsidiaries, taken as a whole. There is no precise, established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of the Notes to require Steel Dynamics to purchase its Notes as a result of the sale, transfer, conveyance or other disposition of less than all of the assets of Steel Dynamics and its Subsidiaries may be uncertain.

Holders may not be able to require us to purchase their Notes in certain circumstances involving a significant change in the composition of our Board of Directors, including a proxy contest where our Board of Directors does not endorse the dissident slate of directors but approves them as continuing directors. In this regard, a decision of the Delaware Chancery Court (not involving our company or our securities) considered a change of control redemption provision of an indenture governing publicly traded debt securities substantially similar to the change of control described in clause (4) of the definition of Change of Control. In its decision, the court noted that a board of directors may approve a dissident shareholder's nominees solely for purposes of such an indenture, provided the board of directors determines in good faith that the election of the dissident nominees would not be materially adverse to the interests of the corporation or its stockholders (without taking into consideration the interests of the holders of debt securities in making this determination). While we are incorporated in the State of Indiana, we cannot assure you that an Indiana or other court interpreting clause (4) of the definition of Change of Control would not reach a similar decision to that of the Delaware Chancery Court.

**Optional Redemption**

Except as described below, the Notes are not redeemable until December 15, 2021. Steel Dynamics may redeem the Notes at any time on or after December 15, 2021. The redemption price for the Notes (expressed as a percentage of principal amount) will be as set forth below, plus accrued interest to, but excluding, the redemption date, if redeemed during the twelve-month period commencing on December 15 of the years indicated below:

Year	Redemption Price
2021	102.500%
2022	101.667%
2023	100.833%
2024 and thereafter	100.000%

At any time prior to December 15, 2019 we may redeem up to 35% of the principal amount of the Notes with the net cash proceeds of one or more sales of our common stock at a redemption price (expressed as a percentage of principal amount) of 105.000%, plus accrued interest to, but excluding, the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Closing Date remains outstanding after each such redemption and notice of any such redemption is mailed or sent within 90 days of each such sale of common stock.

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In addition, at any time or from time to time prior to December 15, 2021, Steel Dynamics may redeem all or a portion of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed to each holder or otherwise sent in accordance with the procedures of the depositary, at a redemption price equal to 100% of the aggregate principal amount of the Notes plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date falling on or prior to such redemption date). We will calculate the redemption price as described in the terms of the notes to be redeemed and will deliver an Officers' Certificate to the Trustee setting forth the redemption price no later than two Business Days prior to the redemption date and the trustee will not be responsible for such calculation.

We will give not less than 30 days' nor more than 60 days' notice of any optional redemption. If less than all of the Notes are to be redeemed, subject to DTC procedures, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not listed on a national securities exchange, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate. However, no Note of \$2,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note.

**Guarantees**

Payment of the principal of, premium, if any, and interest on the Notes will be Guaranteed, jointly and severally, on an unsecured unsubordinated basis by the Initial Subsidiary Guarantors. The Indenture provides that in addition to the Initial Subsidiary Guarantors, each Significant Subsidiary of Steel Dynamics (other than a Foreign Subsidiary) that (a) Guarantees Indebtedness of Steel Dynamics or any Subsidiary Guarantor in an aggregate amount in excess of \$50.0 million, or (b) incurs or otherwise becomes liable for Indebtedness or Attributable Debt in respect of Sale and Leaseback Transactions, in an aggregate amount in excess of \$50.0 million (other than (x) Indebtedness secured by a Mortgage permitted by clause (1), (2), (3), (4) or (5) of the Limitation on Liens covenant described below or unsecured Indebtedness incurred to provide funds for the cost of acquisition, construction, development or improvement of property of such Significant Subsidiary, and (y) Attributable Debt permitted by clauses (1) through (4) of the Limitation on Sale and Leaseback Transactions covenant described below), will Guarantee payment of the principal of, premium, if any, and interest on the Notes. Except as described herein, Steel Dynamics' Unrestricted Subsidiaries will not Guarantee the Notes.

A Subsidiary Guarantor that makes a payment or distribution under its Note Guarantee will be entitled to contribution from any other Subsidiary Guarantor.

The obligations of a Subsidiary Guarantor under its Note Guarantee will be limited so as not to constitute a fraudulent conveyance or fraudulent transfer under applicable federal or state laws. We cannot assure you that this limitation will protect the Note Guarantees from fraudulent conveyance or fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the Note Guarantees would suffice, if necessary, to pay the Notes in full when due. In a Florida bankruptcy case, this kind of provision was found to be unenforceable and, as a result, the subsidiary guarantees in that case were found to be fraudulent conveyances. We do not know if that case will be followed if there is litigation on this point under the Indenture. However, if it is followed, the risk that the Note Guarantees will be found to be fraudulent conveyances will be significantly increased.

The Note Guarantee issued by any Subsidiary Guarantor will be automatically and unconditionally released and discharged:

(1) upon any sale, exchange or transfer to any Person (other than an Affiliate of Steel Dynamics) of all of the Capital Stock of such Subsidiary Guarantor;

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(2) upon the release or discharge of the Guarantee by such Subsidiary Guarantor of Indebtedness of Steel Dynamics or the repayment of the Indebtedness (or Attributable Debt) of such Subsidiary Guarantor, in each case which resulted in the obligation to Guarantee the Notes; provided that such Subsidiary Guarantor has not Guaranteed any other Indebtedness of Steel Dynamics or incurred or otherwise become liable for any other Indebtedness (or Attributable Debt) which would have resulted in an obligation to Guarantee the Notes;

(3) if the Notes are rated Investment Grade by both Rating Agencies and no Default or Event of Default shall have occurred and then be continuing; or

(4) if the Notes are defeased in accordance with the terms of the Indenture.

We are not restricted from selling or otherwise disposing of any of the Subsidiary Guarantors or any or all of the assets of any of the Subsidiary Guarantors.

**Ranking**

The Notes will be equal in right of payment with all existing and future unsubordinated unsecured Indebtedness of Steel Dynamics, including our \$700.0 million principal amount of 5.125% Senior Notes due 2021, our \$350.0 million principal amount of 6<sup>3</sup>/<sub>8</sub>% Senior Notes due 2022, our \$400.0 million principal amount of 5<sup>1</sup>/<sub>4</sub>% Senior Notes due 2023, and our \$500.0 million principal amount of 5.500% Senior Notes due 2024, and senior in right of payment to any subordinated Indebtedness Steel Dynamics may incur.

The Note Guarantees will be equal in right of payment with all existing and future unsubordinated unsecured Indebtedness of the Subsidiary Guarantors and senior in right of payment to all subordinated indebtedness of the Subsidiary Guarantors.

The Notes and the Note Guarantees will be effectively subordinated to any secured Indebtedness to the extent of the value of the assets securing such debt.

Except during a Collateral Suspension, the Credit Facilities are secured by the inventory and accounts receivable, chattel paper, instruments, deposit accounts, letter of credit rights and general intangibles of Steel Dynamics and its subsidiaries that have guaranteed the Credit Facilities. The Credit Facilities are also secured by a pledge of the capital stock or other equity interests of the Subsidiary Guarantors. As of December 31, 2016, we had \$2,386.8 million of indebtedness outstanding. In addition, we would have had \$1.2 billion of availability under our revolving credit facility (excluding \$12.4 million of undrawn letters of credit and other obligations, which reduce availability under our revolver), subject to certain conditions, including satisfying specified financial covenants, all of which would be secured if drawn. In the event of Steel Dynamics

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bankruptcy, liquidation, reorganization or other winding up, its assets that secure secured debt will be available to pay obligations on the Notes only after all indebtedness under such secured debt has been repaid in full from such assets. There may not be sufficient assets remaining to pay amounts due on any or all the other debt then outstanding, including the Notes.

The Notes will be effectively subordinated to all of the liabilities of the subsidiaries of Steel Dynamics that do not Guarantee the Notes. As of December 31, 2016, the non guarantor subsidiaries had assets of \$360.5 million (excluding intercompany receivables) and liabilities of \$95.6 million (excluding intercompany liabilities). See the footnote captioned Condensed Consolidating Information to our annual financial statements, incorporated by reference herein, for selected financial information regarding us, the Subsidiary Guarantors and the non-guarantor subsidiaries.

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**Certain Covenants**

*Limitation on Liens*

Steel Dynamics will not, and will not permit any of its Significant Subsidiaries to, create, incur, issue, assume or Guarantee any Indebtedness secured by a Mortgage upon any of its properties or assets, without effectively providing concurrently that the Notes are secured equally and ratably with or, at our option, prior to such Indebtedness, so long as such Indebtedness shall be so secured.

The foregoing restriction shall not apply to, and there shall be excluded from Indebtedness in any computation under such restriction, Indebtedness secured by:

- (1) Mortgages on any property or assets existing at the time of the acquisition thereof by Steel Dynamics or any Significant Subsidiary;
- (2) Mortgages on property or assets of a Person existing at the time such Person is merged into or consolidated with Steel Dynamics or any of its Significant Subsidiaries or at the time of a sale, lease or other disposition of the properties and assets of such Person (or a division thereof) as an entirety or substantially as an entirety to Steel Dynamics or any of its Significant Subsidiaries; *provided* that any such Mortgage does not extend to any property or assets owned by Steel Dynamics or any of its Significant Subsidiaries immediately prior to such merger, consolidation, sale, lease or disposition;
- (3) Mortgages on property or assets of a Person existing at the time such Person becomes a Significant Subsidiary of Steel Dynamics;
- (4) Mortgages in favor of Steel Dynamics or any of its Restricted Subsidiaries;
- (5) Mortgages on property or assets (including shares of Capital Stock of any Subsidiary formed to acquire, construct, develop or improve such property) to secure all or part of the cost of acquisition, construction, development or improvement of such property, or to secure Indebtedness incurred to provide funds for any such purpose; *provided* that the commitment of the creditor to extend the credit secured by any such Mortgage shall have been obtained no later than 360 days after the later of (a) the completion of the acquisition, construction, development or improvement of such property or assets or (b) the placing in operation of such property or assets;

(6) Mortgages to secure obligations under Credit Facilities in an aggregate principal amount not to exceed the greater of (I) \$1,000 million and (II) the sum of an amount equal to (x) 70% of the consolidated book value of the inventory of Steel Dynamics and its Subsidiaries and (y) 90% of the consolidated book value of the accounts receivable of Steel Dynamics and its Subsidiaries, in each case as of the most recently ended fiscal quarter of Steel Dynamics for which financial statements are available; *provided, however*, that the amounts referred to in clause (II) above shall be determined on a *pro forma* basis, giving effect to (A) the acquisition or disposition of any property or assets of the type described in clause (II) above since the date of such financial statements and (B) the acquisition or disposition of any property or assets of the type described in clause (II) above being acquired in connection with any transaction giving rise to the calculation of the amounts referred to in clause (II) above;

(7) Mortgages in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments; and

(8) Mortgages existing on the date of the Indenture or any extension, renewal, replacement or refunding of any Indebtedness secured by a Mortgage existing on the date of the Indenture or referred to in clauses (1), (2), (3) or (5); *provided* that any such extension, renewal, replacement or refunding of such Indebtedness shall be created within 360 days of repaying the Indebtedness

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secured by the Mortgage referred to in clauses (1), (2), (3) or (5) and the principal amount of the Indebtedness secured thereby and not otherwise authorized by clauses (1), (2), (3) or (5) shall not exceed the principal amount of Indebtedness plus any premium, accrued interest or fee payable in connection with any such extension, renewal, replacement or refunding, so secured at the time of such extension, renewal, replacement or refunding.

Notwithstanding the restrictions described above, Steel Dynamics and any of its Significant Subsidiaries may create, incur, issue, assume or Guarantee Indebtedness secured by Mortgages without equally and ratably securing the Notes, if at the time of such creation, incurrence, issuance, assumption or Guarantee, after giving effect thereto and to the retirement of any Indebtedness which is concurrently being retired, the aggregate amount of all such Indebtedness secured by Mortgages which would otherwise be subject to such restrictions (other than any Indebtedness secured by Mortgages permitted as described in clauses (1) through (8) of the immediately preceding paragraph) plus all Attributable Debt of Steel Dynamics and any of its Significant Subsidiaries in respect of Sale and Leaseback Transactions (with the exception of such transactions which are permitted under clauses (1) through (4) of the first sentence of the first paragraph under **Limitation on Sale and Leaseback Transactions** below) does not exceed 10% of Consolidated Tangible Assets.

*Limitation on Sale and Leaseback Transactions*

Steel Dynamics will not, and will not permit any of its Significant Subsidiaries to, enter into any Sale and Leaseback Transaction unless:

- (1) the Sale and Leaseback Transaction is solely with Steel Dynamics or any of its Restricted Subsidiaries;
- (2) the lease is for a period not in excess of 24 months, including renewals;
- (3) Steel Dynamics or such Significant Subsidiary would (at the time of entering into such arrangement) be entitled as described in clauses (1) through (8) of the second paragraph under the heading **Limitation on Liens**, without equally and ratably securing the Notes then outstanding under the Indenture, to create, incur, issue, assume or Guarantee Indebtedness secured by a Mortgage on such property or assets in the amount of the Attributable Debt arising from such Sale and Leaseback Transaction;
- (4) Steel Dynamics or such Significant Subsidiary, within 360 days after the sale of property or assets in connection with such Sale and Leaseback Transaction is completed, applies an amount equal to the greater of (A) the net proceeds of the sale of such property or assets or (B) the fair market value of such property or assets to (i) the retirement of Notes, other Funded Debt of Steel Dynamics ranking on a parity with the Notes or Funded Debt of a Restricted Subsidiary or (ii) the purchase of property or assets; or

(5) the Attributable Debt of Steel Dynamics and its Significant Subsidiary in respect of such Sale and Leaseback Transaction and all other Sale and Leaseback Transactions entered into after the Closing Date (other than any such Sale and Leaseback Transaction as would be permitted as described in clauses (1) through (4) of this sentence), plus the aggregate principal amount of Indebtedness secured by Mortgages then outstanding (not including any such Indebtedness secured by Mortgages described in clauses (1) through (8) of the second paragraph under the heading "Limitation on Liens") which do not equally and ratably secure the Notes (or secure Notes on a basis that is prior to other Indebtedness secured thereby), would not exceed 10% of Consolidated Tangible Assets.

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*Consolidation, Merger and Sale of Assets*

Steel Dynamics will not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person, or permit any Person to merge with or into it, unless:

(1) it shall be the continuing Person, or the Person (if other than it) formed by such consolidation or into which it is merged or that acquired or leased such property and assets (the *Surviving Person*), shall be a corporation organized and validly existing under the laws of the United States of America or any jurisdiction thereof, and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee all of Steel Dynamics obligations under the Indenture and the Notes;

(2) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(3) it delivers to the Trustee an Officers Certificate and Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(4) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which Steel Dynamics has entered into a transaction pursuant to the covenant described under *Consolidation, Merger and Sale of Assets*, shall have confirmed in writing that its Note Guarantee shall apply to the obligations of Steel Dynamics or the *Surviving Person* in accordance with the Notes and the Indenture.

The *Surviving Person* will succeed to, and except in the case of a lease be substituted for, Steel Dynamics under the Indenture and the Notes.

Each Subsidiary Guarantor (other than any Subsidiary Guarantor whose Note Guarantee is to be released in accordance with the terms of its Note Guarantee and the Indenture in connection with the sale, exchange or transfer to any Person (other than an Affiliate of Steel Dynamics) of all of the Capital Stock of such Subsidiary Guarantor) will not, and Steel Dynamics will not cause or permit any Subsidiary Guarantor to, consolidate with or merge with or into any Person other than Steel Dynamics or any other Subsidiary Guarantor unless:

(1) such Subsidiary Guarantor is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Subsidiary Guarantor) is a corporation organized and existing under the

laws of the United States or any State thereof or the District of Columbia and such Person assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor on its Note Guarantee; and

(2) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

The successor Subsidiary Guarantor will succeed to, and except in the case of a lease be substituted for, such Subsidiary Guarantor under the Indenture and such Subsidiary Guarantor's Note Guarantee.

***SEC Reports and Reports to Holders***

Whether or not Steel Dynamics is then required to file reports with the SEC, Steel Dynamics shall file with the SEC all such reports and other information as it would be required to file with the SEC by Section 13(a) or 15(d) under the Exchange Act if it were subject thereto within the time periods specified by the SEC's rules and regulations. Steel Dynamics shall supply the Trustee and each holder who so requests, without cost to such holder, copies of such reports and other information.

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Delivery of reports, information and documents to the Trustee is for informational purposes only and its receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of our covenants under the Indenture or the notes (as to which the Trustee is entitled to rely exclusively on Officers Certificates). The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, our compliance with the covenants or with respect to any reports or other documents filed with the SEC or EDGAR or any website under the Indenture, or participate in any conference calls.

*Events of Default*

The following events will be defined as Events of Default in the Indenture:

(a) default in the payment of principal of (or premium, if any, on) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(c) (1) Steel Dynamics defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a) or (b) above and other than a default relating to Steel Dynamics obligations described under the caption Certain Covenants SEC Reports and Reports to Holders ) and such default or breach continues for a period of 30 consecutive days after written notice to Steel Dynamics by the Trustee or by holders of 25% or more in aggregate principal amount of the Notes (with a copy to the Trustee) and (2) Steel Dynamics defaults in the performance of or breaches its obligations described under the caption Certain Covenants SEC Reports and Reports to Holders and such default or breach continues for a period of 90 consecutive days after written notice to Steel Dynamics by the Trustee or by holders of 25% or more in aggregate principal amount of the Notes (with a copy to the Trustee);

(d) there occurs with respect to any issue or issues of Indebtedness of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary having an outstanding principal amount of \$75.0 million or more in the aggregate for all such issues of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (I) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its stated maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration and/or (II) the failure to make a principal payment at the final (but not any interim) fixed maturity and such defaulted payment shall not have been made, waived or extended within 30 days of such payment default;

(e) any final judgment or order (not covered by insurance) for the payment of money in excess of \$75.0 million in the aggregate for all such final judgments or orders against all such Persons (treating any deductibles, self-insurance or retention as not so covered) shall be rendered against Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary and shall not be paid or discharged, and there shall be any period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed \$75.0 million during which a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

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(f) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary or for all or substantially all of the property and assets of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary or (C) the winding-up or liquidation of the affairs of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary and, in each case, such decree or order shall remain unstayed and in effect for a period of 60 consecutive days;

(g) Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary or for all or substantially all of the property and assets of Steel Dynamics, any Subsidiary Guarantor or any Significant Subsidiary or (C) effects any general assignment for the benefit of creditors; or

(h) any Subsidiary Guarantor repudiates its obligations under its Note Guarantee or, except as permitted by the Indenture, any Note Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (f) or (g) above that occurs with respect to Steel Dynamics or any Subsidiary Guarantor) occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to Steel Dynamics (and to the Trustee if such notice is given by the holders), may declare the principal of, premium, if any, and accrued interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (d) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default triggering such Event of Default pursuant to clause (d) shall be remedied or cured by Steel Dynamics, the relevant Subsidiary Guarantor or the relevant Significant Subsidiary or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto. If an Event of Default specified in clause (f) or (g) above occurs with respect to Steel Dynamics or any Subsidiary Guarantor, the principal of, premium, if any, and accrued interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder. The holders of at least a majority in principal amount of the outstanding Notes by written notice to Steel Dynamics and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. For information as to the waiver of defaults, see Modification and Waiver.

The holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of Notes not joining in the giving of such direction (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not any such directions are unduly prejudicial to such

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Holders) and may take any other action it deems proper that is not inconsistent with any such direction received from Holders of Notes. A holder may not pursue any remedy with respect to the Indenture or the Notes unless:

- (1) the holder gives the Trustee written notice of a continuing Event of Default;

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- (2) the holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such holder or holders offer the Trustee security or indemnity satisfactory to the Trustee against any costs, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the holder.

An officer of Steel Dynamics must certify, on or before a date not more than 90 days after the end of each fiscal year, that a review has been conducted of the activities of Steel Dynamics and its Subsidiaries and Steel Dynamics and its Subsidiaries performance under the Indenture and that Steel Dynamics has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. Steel Dynamics will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture.

*Defeasance*

*Defeasance and Discharge.* The Indenture will provide that Steel Dynamics will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 123rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (A) Steel Dynamics has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient without consideration of any reinvestment of such principal and interest, in the opinion of a

nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of, premium, if any, and accrued interest on the Notes (i) on the stated maturity of such payments in accordance with the terms of the Indenture and the Notes or (ii) on any earlier Redemption Date pursuant to the terms of the Indenture and the Notes; provided that Steel Dynamics has provided the Trustee with irrevocable instructions to redeem all of the outstanding Notes on such Redemption Date;

(B) Steel Dynamics has delivered to the Trustee (1) either (x) an Opinion of Counsel to the effect that holders will not recognize income, gain or loss for federal income tax purposes as a result of Steel Dynamics' exercise of its option under this Defeasance provision and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, which Opinion of Counsel must be based upon (and accompanied by a copy of) a ruling of the Internal Revenue Service to the same effect unless there has been a change in applicable federal income tax law after the Closing Date such that a ruling is no longer required or (y) a ruling directed to the Trustee received from the Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (2) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

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(C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other material agreement or instrument to which Steel Dynamics or any of its Subsidiaries is a party or by which Steel Dynamics or any of its Subsidiaries is bound; and

(D) if at such time the Notes are listed on a national securities exchange, Steel Dynamics has delivered to the Trustee an Opinion of Counsel to the effect that the Notes will not be delisted as a result of such deposit, defeasance and discharge.

*Defeasance of Certain Covenants and Certain Events of Default.* The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to the provisions described herein under Repurchase of Notes upon a Change of Control, and all the covenants described herein under Certain Covenants, clause (c) under Events of Default, and clauses (d) and (e) under Events of Default shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient without consideration of any reinvestment of such principal and interest, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of, premium, if any, and accrued interest on the Notes (i) on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes or (ii) on any earlier Redemption Date pursuant to the terms of the Indenture and the Notes; *provided* that Steel Dynamics has provided the Trustee with irrevocable instructions to redeem all of the outstanding Notes on such Redemption Date, the satisfaction of the provisions described in clauses (B)(2), (C) and (D) of the preceding paragraph and the delivery by Steel Dynamics to the Trustee of an Opinion of Counsel to the effect that, among other things, the holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

*Defeasance and Certain Other Events of Default.* In the event Steel Dynamics exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, Steel Dynamics will remain liable for such payments and any Subsidiary Guarantor's Note Guarantee with respect to such payments will remain in effect.

*Modification and Waiver*

The Indenture may be amended, without the consent of any holder, to:

- (1) cure any ambiguity, defect or inconsistency in the Indenture;
- (2) comply with the provisions described under Certain Covenants Consolidation, Merger and Sale of Assets and Guarantees ;
- (3) comply with any requirements of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act or in order to maintain such qualification;

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- (4) evidence and provide for the acceptance of appointment by a successor Trustee;
- (5) provide for the issuance of Additional Notes; or
- (6) make any change that, in the good faith opinion of the Board of Directors, does not materially and adversely affect the rights of any holder.

Modifications and amendments of the Indenture may be made by Steel Dynamics, the Subsidiary Guarantors and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided, however*, that no such modification or amendment may, without the consent of each holder affected thereby,

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the optional redemption dates or optional redemption prices of the Notes from that stated under the caption **Optional Redemption** ;
- (4) change the place or currency of payment of principal of, or premium, if any, or interest on, any Note;
- (5) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the Redemption Date) of any Note;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) modify any of the provisions of this **Modification and Waiver** requiring the consent of holders, except to increase any percentage requiring consent or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note;

- (8) release any Subsidiary Guarantor from its Note Guarantee, except as provided in the Indenture;
- (9) amend, change or modify the obligation of Steel Dynamics to make and consummate an Offer to Purchase under the Repurchase of Notes upon a Change of Control covenant after a Change of Control has occurred, including, in each case, amending, changing or modifying any definition relating thereto; or
- (10) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults.

*Definitions*

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this Description of the Exchange Notes for which no definition is provided.

*Affiliate* means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, control (including, with correlative meanings, the terms controlling, controlled by and under common control with ),

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as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Applicable Premium means, with respect to a Note on any date of redemption, the greater of:

- (1) 1.0% of the principal amount of such Note, and
- (2) the excess, if any, of (a) the present value as of such date of redemption of (i) the redemption price of such Note on December 15, 2021 (such redemption price being described under the caption Optional Redemption ), plus (ii) all required interest payments due on such Note through December 15, 2021 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Treasury Rate as of such date of redemption plus 50 basis points, over (b) the then outstanding principal of such Note.

Attributable Debt, in respect of any Sale and Leaseback Transaction, means, as of the time of determination, the total obligation (discounted to present value at the rate per annum equal to the discount rate which would be applicable to a capital lease obligation with like term in accordance with GAAP) of the lessee for rental payments (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, water rates and other items which do not constitute payments for property rights) during the remaining portion of the initial term of the lease included in such Sale and Leaseback Transaction.

Board of Directors means, with respect to any Person, the Board of Directors of such Person or any duly authorized committee of such Board of Directors.

Capital Stock means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Closing Date or issued thereafter, including, without limitation, all common stock and preferred stock.

Change of Control means such time as:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Steel Dynamics and its Subsidiaries, taken as a whole, to any person (as that term is used in Section 13(d)(3) of the Exchange Act);

- (2) a person or group (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the ultimate beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the total voting power of the Voting Stock of Steel Dynamics on a fully diluted basis;
- (3) the adoption of a plan relating to the liquidation or dissolution of Steel Dynamics;
- (4) individuals who on the Closing Date constitute the Board of Directors (together with any new directors whose election by the Board of Directors or whose nomination by the Board of Directors for election by Steel Dynamics stockholders was approved by a vote of at least two-thirds of the members of the Board of Directors then in office who either were members of the Board of Directors on the Closing Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or
- (5) Steel Dynamics consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into Steel Dynamics, in any such event pursuant to a transaction in which

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any of the outstanding Voting Stock of Steel Dynamics or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where (A) the Voting Stock of Steel Dynamics outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and (B) immediately after such transaction, no person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes, directly or indirectly, the Beneficial Owner of 50% or more of the voting power of the Voting Stock of the surviving or transferee Person.

Closing Date means the date on which the Notes are originally issued under the Indenture.

Consolidated Tangible Assets means the total amount of assets of Steel Dynamics and its Subsidiaries (less applicable depreciation, amortization and other valuation reserves), after deducting therefrom all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recently available quarterly or annual consolidated balance sheet of Steel Dynamics and its Subsidiaries, prepared in conformity with GAAP.

Credit Agreement means the Second Amended and Restated Credit Agreement, dated as of November 14, 2014, as amended from time to time, among Steel Dynamics, Inc., as borrower, certain designated Initial Lenders, PNC Bank, National Association, as Collateral Agent, PNC Bank, National Association, as Administrative Agent, Bank of America, N.A. and Wells Fargo Bank, National Association, as Syndication Agents, JPMorgan Chase Bank, N.A., Citizens Bank, N.A., Morgan Stanley Senior Funding, Inc., and SunTrust Bank, as Documentation Agents, and Merrill Lynch, Pierce Fenner & Smith Incorporated, PNC Capital Markets LLC and Wells Fargo Securities, LLC, as Joint Lead Arrangers, and the lenders from time to time party thereto, together with any agreements, instruments, security agreements, guaranties and other documents executed or delivered pursuant to or in connection with such credit agreement, as such credit agreement or such agreements, instruments, security agreements, guaranties or other documents may be amended, supplemented, extended, restated, renewed or otherwise modified from time to time and any refunding, refinancing, replacement or substitution thereof or therefor, whether with the same or different lenders.

Credit Facilities means one or more debt facilities (including, without limitation, the Credit Agreement), commercial paper facilities or indentures, in each case with banks or other institutional lenders or a trustee, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or issuances of notes, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

Default means any event that is, or after notice or passage of time or both would be, an Event of Default.

Foreign Subsidiary means any Subsidiary of Steel Dynamics that is an entity which is a controlled foreign corporation under Section 957 of the Internal Revenue Code and does not Guarantee or otherwise provide direct credit support for any Indebtedness of Steel Dynamics or any Subsidiary Guarantor.

Funded Debt means all Indebtedness having a maturity of more than 12 months from the date as of which the determination is made or having a maturity of 12 months or less but by its terms being renewable or extendable beyond 12 months from such date at the option of the borrower, but excluding any such Indebtedness owed to Steel Dynamics or a Subsidiary of Steel Dynamics.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession which are in effect on the Closing Date.

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**Guarantee** means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrangements are on arm's-length terms and are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term **Guarantee** shall not include endorsements for collection or deposit in the ordinary course of business. The term **Guarantee** used as a verb has a corresponding meaning.

**Indebtedness** means indebtedness for borrowed money.

**Initial Subsidiary Guarantors** means each Subsidiary of Steel Dynamics that on the Closing Date has Guaranteed Steel Dynamics' obligations under the Credit Agreement or its existing senior notes, including Steel Dynamics Sales North America, Inc., an Indiana corporation, New Millennium Building Systems, LLC, an Indiana limited liability company, Roanoke Electric Steel Corporation, an Indiana corporation, Steel of West Virginia, Inc., a Delaware corporation, Steel Ventures, Inc., a Delaware corporation, SWVA, Inc., a Delaware corporation, Marshall Steel, Inc., a Delaware corporation, The Techs Industries, Inc., a Delaware corporation, OmniSource, LLC (f/k/a OmniSource Corporation), an Indiana corporation, Jackson Iron & Metal Company, Inc., a Michigan corporation, OmniSource Limited, LLC (f/k/a OmniSource, LLC), an Indiana limited liability company, OmniSource Transport, LLC, an Indiana limited liability company, Superior Aluminum Alloys, LLC, an Indiana limited liability company, OmniSource Southeast, LLC, a Delaware limited liability company, Steel Dynamics Columbus, LLC, a Delaware limited liability company, and Steel Dynamics Enterprises, Inc., an Indiana corporation.

**Investment Grade** means (1) BBB or above, in the case of S&P (or its equivalent under any successor Rating Categories of S&P) and Baa3 or above, in the case of Moody's (or its equivalent under any successor Rating Categories of Moody's) or (2) the equivalent in respect of the Rating Categories of any Rating Agencies.

**Moody's** means Moody's Investors Service, Inc.

**Mortgage** means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, security interest, lien, encumbrance, or any other security arrangement of any kind or nature whatsoever on or with respect to such property or assets (including any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

**Note Guarantee** means a Guarantee of the obligations of Steel Dynamics under the Indenture and the Notes by any Subsidiary Guarantor.

**Offer to Purchase** means an offer to purchase Notes by Steel Dynamics from the holders commenced by mailing or otherwise sending in accordance with the procedures of the depository a notice to the Trustee and each holder stating:

(1) that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is sent) (the Payment Date );

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

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(4) that, unless Steel Dynamics defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Payment Date;

(5) that holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled Option of the Holder to Elect Purchase on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Payment Date;

(6) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Payment Date, a telegram, facsimile transmission or letter setting forth the name of such holder, the principal amount of Notes delivered for purchase and a statement that such holder is withdrawing his election to have such Notes purchased; and

(7) that holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of \$2,000 or integral multiples of \$1,000 in excess thereof.

On the Payment Date, Steel Dynamics shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers Certificate specifying the Notes or portions thereof accepted for payment by Steel Dynamics. The Paying Agent shall promptly mail to the holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such holders (or cause to be transferred by book entry) a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of \$2,000 or integral multiples of \$1,000 in excess thereof. Steel Dynamics will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Trustee shall act as the Paying Agent for an Offer to Purchase. Steel Dynamics will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that Steel Dynamics is required to repurchase Notes pursuant to an Offer to Purchase upon a Change of Control.

Operating Property means any real property, including any manufacturing plant or warehouse erected thereon, or equipment located in the United States owned by, or leased to, Steel Dynamics, or any Subsidiary of Steel Dynamics, that has a market value in excess of \$50.0 million.

Person means any individual, corporation, limited liability company, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

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**Rating Agencies** means (1) S&P and Moody's or (2) if S&P or Moody's or both of them are not making ratings publicly available, a nationally recognized U.S. rating agency or agencies, as the case may be, selected by Steel Dynamics, which will be substituted for S&P or Moody's or both, as the case may be.

**Rating Category** means (1) with respect to S&P, any of the following categories (any of which may include a + or -), AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories), (2) with respect to Moody's, any of the following categories (any of which may include a numeric qualifier): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories) and (3) the equivalent of any such categories of S&P or Moody's used by another Rating Agency, if applicable.

**Restricted Subsidiary** means any Subsidiary of Steel Dynamics other than an Unrestricted Subsidiary.

**S&P** means Standard & Poor's, a division of S&P Global Inc.

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**Sale and Leaseback Transaction** means any arrangement with any Person providing for the leasing to Steel Dynamics or any Subsidiary of Steel Dynamics of any property or assets, which property or assets have been or are to be sold or transferred by Steel Dynamics or any Subsidiary of Steel Dynamics to such Person.

**Significant Subsidiary** means, at any date of determination, any Restricted Subsidiary that would constitute a significant subsidiary within the meaning of Article 1 of Regulation S-X of the Securities Act as in effect on the Closing Date; *provided* that all references to 10% in the definition of significant subsidiary in Article 1 of Regulation S-X of the Securities Act shall be deemed to be 7.5%.

**Subsidiary** means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is, or other entity of which at least a majority of the common equity interests are, at the time directly or indirectly owned by Steel Dynamics, or by one or more other Subsidiaries of Steel Dynamics, or by Steel Dynamics and one or more other Subsidiaries of Steel Dynamics.

**Subsidiary Guarantor** means any Initial Subsidiary Guarantor and any other Subsidiary of Steel Dynamics which provides a Note Guarantee of Steel Dynamics obligations under the Indenture and the Notes, until such Note Guarantee is released in accordance with the terms of the Indenture.

**Treasury Rate** means as of any date of redemption of Notes, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data)) most nearly equal to the period from the redemption date to December 15, 2021; *provided, however*, that if the period from the redemption date to December 15, 2021 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to December 15, 2021 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

**Unrestricted Subsidiary** means STLD Holdings, Inc., Dynamic Aviation, LLC, Vulcan Threaded Products, Inc., OmniSource Southwest, LLC, and each of their respective direct and indirect Subsidiaries; *provided, however*, in the event (a) any such Subsidiary Guarantees Indebtedness of Steel Dynamics or any Subsidiary Guarantor in an aggregate amount in excess of \$50.0 million or (b) Steel Dynamics or any of its Subsidiaries (other than an Unrestricted Subsidiary) contributes or otherwise transfers (other than a sale for fair market value) any Operating Property (including shares of stock of a Subsidiary that owns the Operating Property) to such Subsidiary, in either case such Subsidiary shall cease to be an Unrestricted Subsidiary and if such Subsidiary would be a Significant Subsidiary, such Subsidiary will Guarantee payment of the principal of, premium, if any and interest on the Notes.

**U.S. Government Obligations** means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the full and timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the stated maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of

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the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

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Voting Stock means with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

***No Personal Liability of Incorporators, Stockholders, Officers, Directors, or Employees***

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of Steel Dynamics in the Indenture, or in any of the Notes or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of Steel Dynamics or of any successor Person thereof. Each holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

***Governing Law; Jury Trial Waiver***

The Indenture will be governed by, and construed in accordance with, the laws of the State of New York. The Indenture provides that Steel Dynamics, the Subsidiary Guarantors, the Trustee, and each Holder of a Note by its acceptance thereof, irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes or any transaction contemplated thereby.

***Concerning the Trustee***

Except during the continuance of an Event of Default, the Trustee need perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Indenture and provisions of the Trust Indenture Act of 1939, as amended, incorporated by reference therein contain limitations on the rights of the Trustee, should it become a creditor of Steel Dynamics, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions; *provided, however*, that if it acquires any conflicting interest as defined by the Trust Indenture Act of 1939, as amended, it must eliminate such conflict or resign as provided therein and in the Indenture. Neither the Trustee nor any paying agent shall be responsible for monitoring Steel Dynamics' rating status, making any request upon any Rating Agency, or determining whether any rating event with respect to the Notes has occurred.

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**MATERIAL FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the material U.S. federal income tax considerations relating to the exchange of unregistered Old Notes for registered Exchange Notes pursuant to the Exchange Offer and the ownership and disposition of the Exchange Notes issued pursuant to the Exchange Offer. However, the provisions of the Internal Revenue Code, Treasury Regulations, administrative rulings or pronouncements or judicial decisions, upon which this summary is based, could be changed, perhaps with retroactive effect, so as to result in tax consequences materially different from those set forth herein.

This summary is limited to beneficial owners of Old Notes that have held the Old Notes and will continue to hold the Exchange Notes as capital assets, within the meaning of Section 1221 of the Code. This summary does not address the tax consideration arising under other federal tax law, such as estate and gift tax laws, or the laws of any foreign, state or local jurisdiction. In addition, this summary does not address all tax considerations that may be applicable to a holder's particular circumstances or to holders that may be subject to special tax rules under the federal income tax laws, such as, for example:

- holders subject to the alternative minimum tax;
- holders receiving payments following a change in control;
- banks, insurance companies or other financial institutions;
- real estate investment trusts and regulated investment companies;
- tax exempt organizations;
- brokers and dealers in securities or currencies;
- persons who have ceased to be citizens or residents of the United States;
- traders in securities who elect to utilize a mark-to-market method of tax accounting for their securities holdings;
- persons deemed to sell the Notes under the constructive sale provisions of the Code; or
- partnerships (or other entities or arrangements classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or investors in such entities.

This summary is for general information only and is not tax advice, nor is this summary binding on the Internal Revenue Service. You are urged to consult your own tax advisor with respect to the application of any and all tax laws to your particular circumstances.

*Tax Consequences of the Exchange of Old Notes for Exchange Notes*

The exchange of an Old Note for an Exchange Note pursuant to the Exchange will not constitute a taxable exchange for U.S. federal income tax purposes and, accordingly, the Exchange Note received will be treated as a continuation of the Old Note in the hands of such holder. As a result, a holder will not recognize gain upon receipt of a registered Exchange Note in exchange for an unregistered Old Note in the Exchange Offer, and any such holder will have the same adjusted tax basis and holding period in the corresponding Exchange Note as it had in the Old Note immediately before the Exchange. The U.S. federal income tax consequence of holding and disposing of an Exchange Note received pursuant to an Exchange Offer will generally be the same as the U.S. federal income tax consequences of holding and disposing of an Old Note. A holder who does not exchange its Old Notes for Exchange Notes pursuant to the Exchange will not recognize any gain or loss, for U.S. federal income tax purposes, upon consummation of the Exchange.

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**PLAN OF DISTRIBUTION**

Each broker-dealer that receives Exchange Notes for its own account pursuant to this Exchange must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for unregistered Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the Expiration Date and consummation of the Exchange Offer, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until 180 days after the date of this Prospectus, all dealers effecting transactions in the Exchange Notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account pursuant to the Exchange may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to the Exchange and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. We have agreed to pay all expenses incident to the Exchange, other than commissions or concessions of any brokers or dealers. We will indemnify the holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

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**LEGAL MATTERS**

The validity of the Exchange Notes offered hereby will be passed upon for us by Barrett McNagny LLP.

**EXPERTS**

The consolidated financial statements of Steel Dynamics, Inc. appearing in Steel Dynamics, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2016, and the effectiveness of Steel Dynamics, Inc.'s internal control over financial reporting as of December 31, 2016, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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**OFFER TO EXCHANGE**

**ALL OUTSTANDING UNREGISTERED \$400,000,000 AGGREGATE PRINCIPAL AMOUNT OF OUR 5.000% SENIOR NOTES DUE 2026 FOR UP TO \$400,000,000 AGGREGATE PRINCIPAL AMOUNT OF OUR NEWLY ISSUED 5.000% REGISTERED SENIOR NOTES DUE 2026**

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**PROSPECTUS**

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**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 20. Indemnification of Directors and Officers**

*The Delaware Limited Liability Companies*

The Delaware Limited Liability Company Act, Section 18-108, provides that, subject to the company's limited liability company agreement, a limited liability company may indemnify and hold harmless any member, manager or other person from and against any and all claims and demands.

**OmniSource Southeast, LLC**

Certificate of Formation. The Certificate of Formation contains no provisions respecting indemnification. The Amended and Restated Operating Agreement of Recycle South, LLC (now known as OmniSource Southeast, LLC) provides that the company shall indemnify and advance litigation expenses to a member, manager or officer for any claim against such person in such person's capacity as member, manager, or officer.

The company's directors, officers, employee and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

**Steel Dynamics Columbus, LLC**

Certificate of Formation. The Certificate of Formation contains no provisions respecting indemnification. The Amended and Restated Limited Liability Company Agreement of Steel Dynamics Columbus, LLC provides that the company shall indemnify and advance litigation expenses to a member, manager, director, officer, employee or agent for any claim against such person in such person's capacity as member, manager, director, officer, employee or agent for losses except where such losses are the result of gross negligence, fraud or intentional misconduct.

The inclusion of such indemnification provisions does not preclude the company from providing indemnification in any other manner.

## Edgar Filing: Kandi Technologies Group, Inc. - Form 10-Q

The company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

### *The Indiana Corporations*

Indiana Business Corporation Law. Chapter 37 of the Indiana Business Corporation Law ( IBCL ) provides that a corporation may indemnify an individual made a party to a proceeding because the individual is or was a director against liability incurred in a proceeding if (1) the individual's conduct was in good faith, (2) the individual reasonably believed, in the case of conduct in the individual's official capacity with the corporation, that the individual's conduct was in the corporation's best interests, and, (3) in the case of a criminal proceeding, the individual either had reasonable cause to believe the individual's conduct was lawful or had no reasonable cause to believe the individual's conduct was unlawful. Unless limited by its articles of incorporation, a corporation must indemnify a director against reasonable expenses incurred by the director if the director was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because the director is or was a director of the corporation. A corporation may advance or reimburse reasonable expenses incurred by a person entitled to indemnification, in advance of final disposition, if the individual furnishes the corporation with a written affirmation of his or her good faith belief that the applicable standard of conduct was observed, accompanied by a

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written undertaking to repay the advance if it is ultimately determined that the applicable standards were not met and the known facts do not preclude indemnification. Unless the director has been successful in the defense of a proceeding, a corporation may not indemnify a director unless authorized in the specific case after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth under the law.

Officers, unless the corporation's articles of incorporation provide otherwise, may be indemnified to the same extent as directors.

A corporation may purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, member, manager, trustee, employee, or agent of another foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by the individual in that capacity or arising from the individual's status as a director, officer, member, manager, employee, or agent. The indemnification provided for or authorized by the IBCL does not exclude other rights to indemnification and that a person may have under a corporation's articles of incorporation, bylaws or certain other duly authorized agreements.

**Steel Dynamics, Inc.**

**Steel Dynamics Sales North America, Inc.**

**Steel Dynamics Enterprises, Inc.  
Roanoke Electric Steel Corporation**

Articles of Incorporation and Bylaws. As permitted by Chapter 37 of the Indiana Business Corporation Law, Article IX of Steel Dynamics, Inc.'s Amended and Restated Articles of Incorporation, Article VI of the Bylaws of Steel Dynamics Sales North America, Inc., the Amended and Restated Bylaws of Roanoke Electric Steel Corporation, and the Bylaws of Steel Dynamics Enterprises, Inc., provide that the company shall indemnify a director or officer against liability, including expenses and costs of defense, incurred in any proceeding, if that individual was made a party to the proceeding because the individual is or was a director or officer, or, at the company's request, was serving as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, whether or not for profit, so long as the individual's conduct was in good faith and with the reasonable belief, in connection with the individual's official capacity, that the conduct was in our best interests, or, in all other cases, that the conduct was at least not opposed to the company's best interests. In the case of any criminal proceeding, the duty to indemnify applies so long as the individual either had reasonable cause to believe that the conduct was lawful, or had no reasonable cause to believe that the conduct was unlawful. Conduct with respect to an employee benefit plan in connection with a matter the individual believed to be in the best interests of the participants in and beneficiaries of the plan is deemed conduct that satisfies the indemnification standard that the individual reasonably believed that the conduct was at least not opposed to the company's best interests.

The company may advance or reimburse for reasonable expenses incurred by a person entitled to indemnification, in advance of final disposition, if the individual furnishes the company with a written affirmation of his or her good faith belief that the applicable standard of conduct was observed, accompanied by a written undertaking to repay the advance if it is ultimately determined that the applicable standards were not met.

## Edgar Filing: Kandi Technologies Group, Inc. - Form 10-Q

Unless the director has been successful in the defense of a proceeding, in all cases, whether in connection with advancement of expenses during a proceeding, or afterward, the company may not grant indemnification unless authorized in the specific case after a determination has been made that indemnification is permissible under the circumstances. The determination may be made either by our board of directors, by majority vote of a quorum consisting of directors not at the time parties to the proceeding, or, if a quorum cannot be so obtained, then by majority vote of a committee duly designated by the board of directors consisting solely of two or more directors not at the time parties to the proceeding. Alternatively, the determination can be made by special legal counsel selected by the board of directors or the committee, or by the stockholders, excluding shares owned by or voted under the

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control of persons who are at the time parties to the proceeding. In the event that a person seeking indemnification believes that it has not been properly provided that person may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. In such a proceeding, a court is empowered to grant indemnification if it determines that the person is fairly and reasonably entitled to indemnification in view of all of the relevant circumstances, whether or not the person met the standard of conduct for indemnification.

The company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

*The Indiana Limited Liability Companies*

Indiana Business Flexibility Act. Chapter 2 of the Indiana Business Flexibility Act provides that, subject to any standards and restrictions set forth in a company's operating agreement, a limited liability company may indemnify and hold harmless any member, manager, agent or employee from and against any and all claims and demands, unless the action or failure to act for which indemnification is sought constitutes willful misconduct or recklessness.

**Superior Aluminum Alloys, LLC**

**OmniSource Transport, LLC**

**OmniSource Limited, LLC (f/k/a OmniSource, LLC)**

Operating Agreements. The Amended and Restated Operating Agreements of OmniSource Transport, LLC, OmniSource, LLC, and Superior Aluminum Alloys, LLC, each provide that the company shall indemnify and advance expenses to the member against any claim against the member arising from acts of the member in its capacity as member or manager.

The inclusion of such indemnification provisions does not preclude the company from providing indemnification in any other manner.

Each company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

**New Millennium Building Systems, LLC**

**OmniSource, LLC (f/k/a OmniSource Corporation)**

Operating Agreement. The Third Amended and Restated Operating Agreement of New Millennium Building Systems, LLC, and the Operating Agreement of OmniSource, LLC, each provide that the company shall fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a member or an officer of the company, if such member or officer acted in good faith and in a manner reasonably believed by such member or officer to have been, in the case of conduct taken as a member or officer, in the best interest of the company, and in all other cases, not opposed to the best interests of the company, and, with respect to any criminal action or proceeding, such member or officer had reasonable cause to believe such conduct was lawful.

*The Delaware Corporations*

Delaware General Corporation Law. Under the Section 145 of the Delaware General Corporation Law ( DGCL ), a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director,

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officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding (i) if such person acted in good faith and in a manner that person reasonably believed to be in or not opposed to the best interests of the corporation and (ii) with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe such conduct was unlawful in actions brought by or in the right of the corporation, the corporation may indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner that person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which that person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which the Court of Chancery or other such court shall deem proper. To the extent that such person has been successful on the merits or otherwise in defending any such action, suit or proceeding referred to above or any claim, issue or matter therein, he or she is entitled to indemnification for expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Otherwise, indemnification shall be made only upon a determination that the person met the applicable standard of conduct. The indemnification and advancement of expenses provided for or granted pursuant to Section 145 of the DGCL is not exclusive of any other rights of indemnification or advancement of expenses to which those seeking indemnification or advancement of expenses may be entitled, and a corporation may purchase and maintain insurance against liabilities asserted against any former or current, director, officer, employee or agent of the corporation, or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, whether or not the power to indemnify is provided by the statute.

**Steel of West Virginia, Inc.  
SWVA, Inc.**

Certificates of Incorporation. The Certificates of Incorporation of Steel of West Virginia, Inc. and SWVA, Inc. provide that the company shall indemnify to the full extent permitted by the DGCL all persons it may indemnify under such law.

The company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

**Marshall Steel, Inc.**

**Steel Ventures, Inc.**

Certificate of Incorporation. The Certificates of Incorporation of Marshall Steel, Inc. and Steel Ventures, Inc. provide that the corporation shall indemnify a person to the full extent permitted by the DGCL against expenses, fines, judgments and amounts paid in settlement actually and reasonably incurred by such person in any threatened, pending or completed proceeding in which the person is involved by reason of the fact that he or she was or is a director or officer of the corporation or was serving another incorporated or unincorporated enterprise in such capacity at the request of the corporation.

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The company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

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**The Techs Industries, Inc.**

**Certificate of Incorporation.** The Certificate of Incorporation of The Techs Industries, Inc. contains no provision regarding indemnification of directors or officers. The Certificate of Incorporation does provide that no director shall be liable to the corporation or its shareholders for breach of a fiduciary duty as a director.

The company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

*The Michigan Corporation*

**Michigan Business Corporation Act.** Under the Michigan Business Corporation Act ( MIBCA ), a Michigan corporation may indemnify a person who was or is a party or is threatened to be made a party to a threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another enterprise, against expenses, including attorney's fees, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred in connection therewith if the person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders and, with respect to a criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful.

To the extent that such person has been successful on the merits or otherwise in defending any such action, suit or proceeding referred to above or any claim, issue or matter therein, he or she is entitled to indemnification for expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Otherwise a determination must be made that the person met the applicable standard of conduct and that the expenses were reasonable. Under the MIBCA, a Michigan corporation may also provide similar indemnity to such a person for expenses, including attorney's fees, and amounts paid in settlement actually and reasonably incurred by the person in connection with actions or suits by or in the right of the corporation if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the interests of the corporation or its shareholders, except in respect of any claim, issue or matter in which the person has been found liable to the corporation, unless the court determines that the person is fairly and reasonably entitled to indemnification in view of all relevant circumstances, in which case indemnification is limited to reasonable expenses incurred. The MIBCA also permits a Michigan corporation to purchase and maintain on behalf of such a person insurance against liabilities incurred in such capacities.

**Jackson Iron & Metal Company, Inc.**

**Articles of Incorporation and Bylaws.** The Bylaws of Jackson Iron & Metal Company, Inc. provide that the corporation shall indemnify a director or officer against liability, including expenses and costs of defense, incurred in any proceeding, if that individual was made a party to the proceeding because the individual is or was a director or officer, or, at the corporation's request, was serving as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, whether or not for profit, so long as the individual's conduct was in good faith and with the reasonable belief, in connection with the individual's official capacity,

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that the conduct was in the corporation's best interests, or, in all other cases, that the conduct was at least not opposed to the corporation's best interests. In the case of any criminal proceeding, the duty to indemnify applies so long as the individual either had reasonable cause to believe that the conduct was lawful, or had no reasonable cause to believe that the conduct was unlawful. In any action by or in the right of the corporation, indemnification shall not be made if the person has been adjudged liable for negligence or misconduct, unless and to the extent a court deems indemnity proper in view of all the circumstances.

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The corporation may advance or reimburse for reasonable expenses incurred by a person entitled to indemnification, in advance of final disposition, if the individual furnishes the corporation a written undertaking to repay the advance if it is ultimately determined that the applicable standards were not met.

Unless the director has been successful in the defense of a proceeding, in all cases, whether in connection with advancement of expenses during a proceeding, or afterward, the corporation may not grant indemnification unless authorized in the specific case after a determination has been made that indemnification is permissible under the circumstances. The determination may be made either by the corporation's board of directors, by majority vote of a quorum consisting of directors not at the time parties to the proceeding, or, if a quorum cannot be so obtained, then by independent legal counsel. In the event that a person seeking indemnification believes that it has not been properly provided that person may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. In such a proceeding, a court is empowered to grant indemnification if it determines that the person is fairly and reasonably entitled to indemnification in view of all of the relevant circumstances, whether or not the person met the standard of conduct for indemnification.

The corporation may purchase and maintain insurance on behalf of the corporation's directors, officers, employees or agents, insuring against liability arising from his or her status as a director, officer, employee, or agent, whether or not the corporation would have the power to indemnify the individual against the same liability.

The company's directors, officers, employees and agents are insured against liability arising from their status as directors, officers, employees, or agents, whether or not the company would have the power to indemnify them against the same liability under the company's governing documents.

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**ITEM 6. EXHIBITS**

**Articles of Incorporation**

- 3.1a Amended and Restated Articles of Incorporation of Steel Dynamics, Inc., incorporated herein by reference from Exhibit 3.1a in our Registration Statement on Form S-1, SEC File No. 333-12521, effective November 21, 1996.
- 3.1b Amendment to Article IV of the Amended and Restated Articles of Incorporation of Steel Dynamics, Inc., effective November 2, 2006, increasing the authorized shares to 200 million, incorporated herein by reference from Exhibit 3.1b to our report on Form 10-Q filed May 7, 2008.
- 3.1c Amendment to Article IV of the Amended and Restated Articles of Incorporation of Steel Dynamics, Inc., effective March 27, 2008, increasing the authorized common shares to 400 million, incorporated herein by reference from Exhibit 3.1c to our report on Form 10-Q filed May 7, 2008.
- 3.1d Amendment to Article IV of the Amended and Restated Articles of Incorporation of Steel Dynamics, Inc., effective June 2, 2009, increasing the authorized common shares to 900 million, incorporated herein by reference to Exhibit 3.1d to our Form 8-K filed June 2, 2009.
- 3.2a Amended and Restated Bylaws of Steel Dynamics, Inc., incorporated herein by reference from Exhibit 3.1 to our Form 8-K filed July 6, 2006.
- 3.2b Amendment adding new Section 3.15 to Amended and Restated Bylaws of Steel Dynamics, Inc. The amendment is incorporated herein by reference from Exhibit 99.1 to our Form 8-K filed August 6, 2009.
- 3.5 Articles of Incorporation of Jackson Iron & Metal Company, Inc., incorporated herein by reference to Exhibit 3.5 to our Form S-4 filed June 4, 2013.
- 3.6 Bylaws of Jackson Iron & Metal Company, Inc., incorporated herein by reference to Exhibit 3.6 to our Form S-4 filed June 4, 2013.
- 3.7 Certificate of Incorporation of MS (Tennessee), Inc. (now known as Marshall Steel, Inc.), incorporated herein by reference to Exhibit 3.7 to our Form S-4 filed June 4, 2013.
- 3.8 Amended and Restated Bylaws of Marshall Steel, Inc., incorporated herein by reference to Exhibit 3.8 to our Form S-4 filed June 4, 2013.
- 3.11 Articles of Organization of New Millennium Building Systems, LLC, incorporated herein by reference to Exhibit 3.11 to our Form S-4 filed June 4, 2013.
- 3.12\* Third Amended and Restated Operating Agreement of New Millennium Building Systems, LLC.
- 3.13 Articles of Organization of OmniSource Limited, LLC (f/k/a OmniSource, LLC), incorporated herein by reference to exhibit 3.13 to our Form S-4 filed June 4, 2013.
- 3.13a\* Amendment to Article I of the Articles of Organization of OmniSource, LLC (n/k/a OmniSource Limited, LLC).
- 3.14\* Second Amended and Restated Operating Agreement of OmniSource Limited, LLC (f/k/a OmniSource, LLC).



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- 3.15\* Articles of Organization of OmniSource, LLC (f/k/a OmniSource Corporation).
- 3.16\* Operating Agreement of OmniSource, LLC (f/k/a OmniSource Corporation).
- 3.19 Certificate of Formation of South Atlantic Recycling Group, LLC. (now known as OmniSource Southeast, LLC), incorporated herein by reference to Exhibit 3.19 to our Form S-4 filed June 4, 2013.
- 3.20 Amended and Restated Operating Agreement of Recycle South, LLC (now known as OmniSource Southeast, LLC), incorporated herein by reference to Exhibit 3.20 to our Form S-4 filed June 4, 2013.
- 3.21 Articles of Organization of OmniSource Transport, LLC, incorporated herein by reference to Exhibit 3.21 to our Form S-4 filed June 4, 2013.
- 3.22 Amended and Restated Operating Agreement of OmniSource Transport, LLC, incorporated herein by reference to Exhibit 3.22 to our Form S-4 filed June 4, 2013.
- 3.23 Articles of Incorporation of RS Acquisition Corporation (now known as Roanoke Electric Steel Corporation.), incorporated herein by reference to Exhibit 3.23 to our Form S-4 filed June 4, 2013.
- 3.24 Amended and Restated Bylaws of Roanoke Electric Steel Corporation, incorporated herein by reference to Exhibit 3.24 to our Form S-4 filed June 4, 2013.
- 3.25 Articles of Incorporation of Steel Dynamics Sales North America Inc., incorporated herein by reference to Exhibit 3.25 to our Form S-4 filed June 4, 2013.
- 3.26 Bylaws of Steel Dynamics Sales North America Inc., incorporated herein by reference to Exhibit 3.26 to our Form S-4 filed June 4, 2013.
- 3.27 Certificate of Incorporation of Charter Steel, Inc.(now known as Steel of West Virginia), incorporated herein by reference to Exhibit 3.27 to our Form S-4 filed June 4, 2013.
- 3.28 Amended and Restated Bylaws of Steel of West Virginia, Inc., incorporated herein by reference to Exhibit 3.28 to our Form S-4 filed June 4, 2013.
- 3.29 Certificate of Incorporation of Steel Ventures, Inc., incorporated herein by reference to Exhibit 3.29 to our Form S-4 filed June 4, 2013.
- 3.30 Amended and Restated Bylaws of Steel Ventures, Inc., incorporated herein by reference to Exhibit 3.30 to our Form S-4 filed June 4, 2013.
- 3.31 Articles of Organization of Superior Aluminum Alloys, LLC, incorporated herein by reference to Exhibit 3.31 to our Form S-4 filed June 4, 2013.
- 3.32 Amended and Restated Operating Agreement of Superior Aluminum Alloys, LLC, incorporated herein by reference to Exhibit 3.32 to our Form S-4 filed June 4, 2013.
- 3.33 Certificate of Incorporation of Steel of West Virginia, Inc. (now known as SWVA, Inc.), incorporated herein by reference to Exhibit 3.33 to our Form S-4 filed June 4, 2013.
- 3.34 Amended and Restated Bylaws of SWVA, Inc., incorporated herein by reference to Exhibit 3.34 to our Form S-4 filed June 4, 2013.
- 3.35 Certificate of Incorporation of The Techs Industries, Inc., incorporated herein by reference to Exhibit 3.35 to our Form S-4 filed June 4, 2013.



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- 3.36 Amended and Restated Bylaws of The Techs Industries, Inc., incorporated herein by reference to Exhibit 3.36 to our Form S-4 filed June 4, 2013.
- 3.37 Certificate of Formation of Steel Dynamics Columbus, LLC, incorporated herein by reference to Exhibit 3.37 to our Form S-4 filed March 24, 2015.
- 3.38\* Second Amended and Restated Limited Liability Company Agreement of Steel Dynamics Columbus, LLC
- 3.39\* Articles of Incorporation of Steel Dynamics Enterprises, Inc.
- 3.40\* By-laws of Steel Dynamics Enterprises, Inc.

**Instruments Defining the Rights of Security Holders, Including Indentures**

- 4.17 Indenture relating to our issuance of \$350 million of 63/8% Senior Notes due 2022 among Steel Dynamics, Inc., as Issuer, the Initial Subsidiary Guarantors, and Wells Fargo Bank, National Association, as Trustee, dated as of August 16, 2012, incorporated herein by reference from Exhibit 4.17 to our Form 8-K filed August 20, 2012.
- 4.20 Indenture relating to our issuance of \$400.0 million of 51/4% Senior Notes due 2023, among Steel Dynamics, Inc., as Issuer, the Initial Subsidiary Guarantors, and Wells Fargo Bank, National Association, as Trustee, dated as of March 26, 2013, incorporated herein by reference from Exhibit 4.20 to our Form 8-K filed March 23, 2013.
- 4.23 Indenture relating to our issuance of \$700.0 million of 5.125% Senior Notes due 2021, among Steel Dynamics, Inc., as Issuer, the Initial Subsidiary Guarantors, and Wells Fargo Bank, National Association, as Trustee, dated as of September 9, 2014, incorporated herein by reference from Exhibit 4.23 to our Form 8-K filed September 12, 2014.
- 4.24 Indenture relating to our issuance of \$500.0 million of 5.500% Senior Notes due 2024, among Steel Dynamics, Inc., as Issuer, the Initial Subsidiary Guarantors, and Wells Fargo Bank, National Association, as Trustee, dated as of September 9, 2014, incorporated herein by reference from Exhibit 4.24 to our Form 8-K filed September 12, 2014.
- 4.25 Registration Rights Agreement among Steel Dynamics, Inc., the subsidiaries of the Company listed therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the several initial purchasers as set forth therein, dated December 6, 2016, relating to our issuance of \$400 million of 5.000% Senior Notes due 2026 incorporated herein by reference from Exhibit 4.25 to our Form 8-K filed December 8, 2016.
- 4.27 Indenture dated December 6, 2016, relating to our issuance of \$400 million 5.000% Senior Notes due 2026, among Steel Dynamics, Inc., as Issuer, the Initial Subsidiary Guarantors named therein, and Wells Fargo Bank, National Association, as Trustee, incorporated herein by reference from Exhibit 4.27 to our Form 8-K filed December 8, 2016.

**Opinions re Legality**

- 5.1\* Opinion of Barrett McNagny LLP.



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**Material Contracts**

- 10.12 Loan Agreement between Indiana Development Finance Authority and Steel Dynamics, Inc. re Taxable Economic Development Revenue bonds, Trust Indenture between Indiana Development Finance Authority and NBD Bank, N.A., as Trustee re Loan Agreement between Indiana Development Finance Authority and Steel Dynamics, Inc., incorporated herein by reference from Exhibit 10.12 to Registrant's Registration Statement on Form S-1, File No. 333-12521, effective November 21, 1996.
- 10.20 Steel Dynamics, Inc. Change in Control Benefit Plan, incorporated herein by reference from Exhibit 10.20 to our 8-K filed December 4, 2012.
- 10.41b Amended and Restated Steel Dynamics, Inc. 2006 Equity Incentive Plan, as approved by shareholders on May 17, 2012, incorporated herein by reference from our Exhibit 10.41b to our Form 8-K filed August 21, 2012.
- 10.41c Steel Dynamics, Inc. Long-Term Incentive Compensation Program, adopted August 15, 2012, incorporated herein by reference from our Exhibit 10.41c to our Form 8-K filed August 21, 2012.
- 10.52 Director Agreement between the Company and Keith E. Busse, dated October 14, 2011, incorporated herein by reference from Exhibit 10.52 to our Form 8-K filed October 20, 2011.
- 10.53 2013 Executive Incentive Compensation Plan, approved by stockholders on May 16, 2013, incorporated herein by reference from our May 16, 2013 Notice of Annual Meeting of Stockholders filed March 27, 2013.
- 10.54 Second Amended and Restated Credit Agreement dated as of November 14, 2014, Among Steel Dynamics, Inc. as Borrower and the Initial Lenders, Initial Issuing Bank and Swing Line Bank Named or Described Herein as Initial Lenders, Initial Issuing Banks and Swing Line Bank, and PNC Bank, National Association as Collateral Agent, PNC Bank, National Association as Administrative Agent, and Bank of America, N.A. and Wells Fargo Bank, National Association as Syndication Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, PNC Capital Markets LLC and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners, and JPMorgan Chase Bank, N.A., Citizens Bank, N.A., Morgan Stanley Senior Funding, Inc. and Sun Trust Bank, as Documentation Agents, incorporated herein by reference from Exhibit 10.54 to our Form 8-K filed November 20, 2014.
- 10.55 Steel Dynamics, Inc. 2014 Employee Stock Purchase Plan, incorporated herein by reference from our May 15, 2014 Notice of Annual Meeting of Stockholders filed March 27, 2014.
- 10.57 2015 Equity Incentive Plan, as approved by shareholders on May 21, 2015, incorporated herein by reference from our May 21, 2015, Notice of Annual Meeting of Stockholders filed March 30, 2015.
- 12.1\* Computation of Ratio of Earnings to Fixed Charges
- 21.1\* List of our Subsidiaries
- 23.1\* Consent of Independent Registered Public Accounting Firm
- 23.3\* Consent of Barrett McNagny LLP (included in Exhibit 5.1)
- 24.1\* Powers of Attorney (see signature pages II-13 through II-22)
- 25.1\* Form T-1, Trustee's Statement of Eligibility



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99.1*	Letter of Transmittal
99.2*	Notice of Guaranteed Delivery

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\* Filed concurrently herewith

Indicates a management contract or compensatory plan or arrangement

**Item 22. Undertakings**

- (a) Each of the undersigned registrants hereby undertakes:
- (1) To file, during any period in which Offer or sales are being made, a post-effective amendment to this registration statement:
- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act;
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and
- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

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(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether

such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(8) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(9) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Wayne, State of Indiana, on April 5, 2017.

Steel Dynamics, Inc.

By: */s/ THERESA E. WAGLER*  
 Name: Theresa E. Wagler  
 Title: *Executive Vice President and Chief Financial Officer*

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<i>/s/ MARK D. MILLETT</i> Mark D. Millett	President, Chief Executive Officer and Director (Principal Executive Officer)	April 5, 2017
<i>/s/ THERESA E. WAGLER</i> Theresa E. Wagler	Executive Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 5, 2017
<i>/s/ KEITH E. BUSSE</i> Keith E. Busse	Chairman of the Board and Director	April 5, 2017
<i>/s/ JOHN C. BATES</i> John C. Bates	Director	April 5, 2017
<i>/s/ FRANK D. BYRNE, M.D.</i> Frank D. Byrne, M.D.	Director	April 5, 2017



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/s/ KENNETH W. CORNEW KENNETH W. CORNEW	Director	April 5, 2017
/s/ TRACI M. DOLAN Traci M. Dolan	Director	April 5, 2017
/s/ DR. JÜRGEN KOLB Dr. Jürgen Kolb	Director	April 5, 2017
/s/ JAMES C. MARCUCCILLI James C. Marcuccilli	Director	April 5, 2017
/s/ GABRIEL L. SHAHEEN Gabriel L. Shaheen	Director	April 5, 2017
/s/ BRADLEY S. SEAMAN Bradley S. Seaman	Director	April 5, 2017
/s/ RICHARD P. TEETS, JR. Richard P. Teets, Jr.	Director	April 5, 2017

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**Steel Dynamics Sales North America, Inc.**

By: /s/ THERESA E. WAGLER  
 Theresa E. Wagler  
 Title: *President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THERESA E. WAGLER Theresa E. Wagler	President, Secretary and Director (Principal Financial Officer) (Principal Executive Officer) (Principal Accounting Officer)	April 5, 2017
/s/ BARRY T. SCHNEIDER Barry T. Schneider	Director	April 5, 2017
/s/ MARK D. MILLETT Mark D. Millett	Vice President and Director	April 5, 2017

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**New Millennium Building Systems, LLC**

**Steel Dynamics Columbus, LLC**

**OmniSource, LLC (f/k/a OmniSource Corporation)**

By: Steel Dynamics Enterprises, Inc., its sole member

By: /s/ THERESA E. WAGLER  
Name: Theresa E. Wagler  
Title: *President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ THERESA E. WAGLER Theresa E. Wagler	President, Secretary, Director (Principal Executive Officer) (Principal Financial Officer) (Principal Accounting Officer)	April 5, 2017
/s/ RUSSELL B. RINN Russell B. Rinn	Director	April 5, 2017
/s/ RICHARD A. POINSATTE Richard A. Poinatte	Vice President, Assistant Secretary, Director	April 5, 2017

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**Roanoke Electric Steel Corporation**

By: /s/ THERESA E. WAGLER  
 Name: Theresa E. Wagler  
 Title: *Vice President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ T. JOE CRAWFORD T. Joe Crawford	President (Principal Executive Officer)	April 5, 2017
/s/ THERESA E. WAGLER Theresa E. Wagler	Vice President and Director (Principal Financial Officer) (Principal Accounting Officer)	April 5, 2017
/s/ RUSSELL B. RINN Russell B. Rinn	Director	April 5, 2017

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**Steel of West Virginia, Inc.**  
**SWVA, Inc.**  
**Marshall Steel, Inc.**  
**Steel Ventures, Inc.**

By: /s/ THERESA E. WAGLER  
Name: Theresa E. Wagler  
Title: *Vice President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ TIMOTHY R. DUKE Timothy R. Duke	President(Principal Executive Officer)	April 5, 2017
/s/ THERESA E. WAGLER Theresa E. Wagler	Vice President and Secretary (Principal Financial Officer) (Principal Accounting Officer)	April 5, 2017
/s/ RICHARD A. POINSATTE Richard A. Poinatte	Director	April 5, 2017

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**The Techs Industries, Inc.**

By: /s/ THERESA E. WAGLER  
Name: Theresa E. Wagler  
Title: *Vice President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments and registration statements filed pursuant to Rule 462 or otherwise) and to file the same, with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ BARRY T. SCHNEIDER Barry T. Schneider	President and Secretary (Principal Executive Officer)	April 5, 2017
/s/ THERESA E. WAGLER Theresa E. Wagler	Vice President (Principal Financial Officer) (Principal Accounting Officer)	April 5, 2017
/s/ RICHARD A. POINSATTE Richard A. Poinsatte	Director	April 5, 2017

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**Steel Dynamics Enterprises, Inc.**

By: /s/ THERESA E. WAGLER  
Name: Theresa E. Wagler  
Title: *President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ RUSSELL B. RINN Russell B. Rinn	Director	April 5, 2017
/s/ THERESA E. WAGLER Theresa E. Wagler	President , Secretary and Director (Principal Executive Officer) (Principal Financial Officer) (Principal Accounting Officer)	April 5, 2017
/s/ RICHARD A. POINSATTE Richard A. Poinsatte	Director	April 5, 2017

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**Jackson Iron & Metal Company, Inc.**

By: /s/ THERESA E. WAGLER  
Name: Theresa E. Wagler  
Title: *Vice President*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ RUSSELL B. RINN  
Russell B. Rinn

President and Director (Principal Executive Officer)

April 5, 2017

/s/ THERESA E. WAGLER  
Theresa E. Wagler

Vice President , Secretary and Director (Principal Financial Officer) (Principal Accounting Officer)

April 5, 2017

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**OmniSource Transport, LLC**  
**OmniSource Southeast, LLC**  
**Superior Aluminum Alloys, LLC**  
**OmniSource Limited, LLC (f/k/a OmniSource, LLC)**

By: OmniSource, LLC, sole member

By: Steel Dynamics Enterprises, Inc., its sole member

By: /s/ THERESA E. WAGLER  
 Name: Theresa E. Wagler  
 Title: *President and Secretary*

Date: April 5, 2017

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Theresa E. Wagler and Mark D. Millett, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement (including pre-effective and post-effective amendments and supplements or any additional registration statements filed pursuant to Rule 462 promulgated under the Securities Act, or otherwise) and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ THERESA E. WAGLER Theresa E. Wagler	President, Secretary, Director (Principal Executive Officer) (Principal Financial Officer) (Principal Accounting Officer)	April 5, 2017
/s/ RUSSELL B. RINN Russell B. Rinn	Director	April 5, 2017
/s/ RICHARD A. POINSATTE Richard A. Poinatte	Vice President, Assistant Secretary, Director	April 5, 2017