

HPEV, INC.  
Form S-1/A  
May 27, 2014

Registration No. 333-195569

As filed with the Securities and Exchange Commission on May 23, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Amendment No. 1 to  
FORM S-1 /A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

HPEV, INC.  
(Exact name of registrant as specified in its  
charter)

|   |   |   |
|---|---|---|
| Nevada  | 3510  | 75-3076597                              |
| (State or jurisdiction of<br>incorporation or organization) | (Primary Standard Industrial<br>Classification Code Number) | (I.R.S. Employer<br>Identification No.) |

8875 Hidden River Parkway  
Suite 300  
Tampa, Florida 33637  
(813) 975-7467  
(Address, including zip code, and telephone number, including area code of registrant's principal executive offices)

Timothy Hassett  
8875 Hidden River Parkway  
Suite 300  
Tampa, Florida 33637  
(813) 975-7467  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement, as determined by the selling stockholder.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

|                         |                       |                           |                                  |
|-------------------------|-----------------------|---------------------------|----------------------------------|
| Large accelerated filer | <input type="radio"/> | Accelerated filer         | <input type="radio"/>            |
| Non-accelerated filer   | <input type="radio"/> | Smaller reporting company | <input checked="" type="radio"/> |

## CALCULATION OF REGISTRATION FEE

| Title of Class of Securities to be Registered | Amount to be Registered (1)(2) | Proposed Maximum Aggregate Price Per Share (3) | Proposed Maximum Aggregate Offering Price (3) | Amount of Registration Fee |
|---|--------------------------------|--|---|----------------------------|
| Common Stock, \$0.001 per share               | 4,000,000                      | \$ 1.68 (3)                                    | \$ 6,720,000                                  | \$ 865.53                  |
| Common Stock, \$.0001 per share               | 671,785                        | \$ 1.68  | 1,128,598                                     | 145.36                     |
| <b>Total</b>                                  | <b>4,671,785</b>               | <b>1.68</b>                                    | <b>7,848,598</b>                              | <b>1,010.89</b>            |

**\*Previously paid**

- (1) The registrant is registering for resale, from time to time, up to 4,000,000 shares of its common stock that the registrant may sell and issue to Lincoln Park Capital Fund, LLC (“Lincoln Park”) pursuant to a Purchase Agreement (the “Purchase Agreement”), dated February 19, 2014, by and between Lincoln Park and the registrant relating to the sale of up to \$10,000,000 in shares of common stock of the registrant. Pursuant to Rule 416(a) under the Securities Act of 1933, the registrant is also registering hereunder an indeterminate number of shares that may be issued and resold resulting from stock splits, stock dividends or similar transactions.
- (2) Represents 671,785 shares that were issued to Lincoln Park as commitment shares.
- (3) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, using the average of the high and low prices as reported on the OTCQB on April 25, 2014, which was \$1.68 per share.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

HPEV, INC.

4,671,785 shares of Common Stock

This prospectus relates to the resale, from time to time, of up to 4,671,785 shares of our common stock by Lincoln Park Capital Fund, LLC. Lincoln Park Capital Fund, LLC is sometimes referred to in this prospectus as “selling stockholder” or “Lincoln Park”. The shares of common stock being offered by Lincoln Park are issuable pursuant to a Purchase Agreement we entered into with Lincoln Park on February 19, 2014, which we refer to in this prospectus as the Purchase Agreement. See the section of this prospectus entitled “Lincoln Park Transaction” for a description of the Purchase Agreement and the section entitled “Selling Stockholder” for additional information about Lincoln Park. Such registration does not mean that Lincoln Park will actually offer or sell any of these shares. We will not receive any proceeds from the sales of shares of our common stock by Lincoln Park; however, we may receive gross proceeds of up to \$10,000,000 under the Purchase Agreement.

Lincoln Park is an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act of 1933, as amended. Lincoln Park may offer the shares pursuant to this prospectus for resale in a number of different ways through public or private placement transactions and at varying prices. The prices at which Lincoln Park may sell the shares will be determined by the prevailing market price for the shares or in privately negotiated transactions. See “Plan of Distribution” for additional information.

Our common stock is quoted on the OTCQB under the symbol “WARM”. On May 19, 2014, the last reported sales price for our common stock as reported on the OTCQB was \$ 1.00 per share.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER CAREFULLY THE SECTION ENTITLED "RISK FACTORS" IN THIS PROSPECTUS BEGINNING ON PAGE 7.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (“JOBS Act”).

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read the entire prospectus and any amendments or supplements carefully before you make your investment decision.

The date of this prospectus is \_\_\_\_\_, 2014.

## HPEV, INC.

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## Dealer Prospectus Delivery Obligation

Until \_\_\_\_\_2014, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.



## Overview

We were incorporated on July 22, 2002 in the State of Nevada under the name Bibb Corporation. On September 3, 2010, we changed our name to Z3 Enterprises, Inc. (“Z3”) and on April 5, 2012, to HPEV, Inc.

On March 29, 2011, we entered into a share exchange agreement (which was amended on June 14, 2011) with HPEV, Inc., a Delaware corporation (“the Share Exchange Agreement”) to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV, Inc. in consideration for the issuance of 22,000,000 shares of common stock. Upon closing of the share exchange on April 15, 2011, HPEV, Inc. became our wholly owned subsidiary. There was a change of control of our company on April 15, 2011 as a result of the issuance of 21,880,000 shares of our common stock to the original shareholders of HPEV, Inc. pursuant to the terms of the Share Exchange Agreement. An additional 120,000 shares were issued during the fourth quarter of 2011 which completed the issuance of 22,000,000 shares of common stock under the terms of the amended Share Exchange Agreement.

As of April 9, 2014, we have 5 patents and 5 patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as ‘thermal’ or ‘heat dispersion technology’) and a parallel vehicle power platform. The Company intends to commercialize our patents by licensing our thermal technologies and applications to electric motor, pump and vehicle component manufacturers; by licensing or selling a mobile electric power system powered by the Company’s proprietary gearing system to commercial vehicle and fleet owners; and by licensing a plug-in hybrid conversion system for heavy duty trucks, buses and tractor trailers to fleet owners and service centers.

Our corporate headquarters are located at 8875 Hidden River Parkway, Suite 300, Tampa, Florida 33637 and our telephone number is (813) 975-7467.

## Agreement with Lincoln Park

On February 19, 2014, we entered into a Purchase Agreement and a registration rights agreement (the “Registration Rights Agreement”) with Lincoln Park, pursuant to which Lincoln Park has agreed to purchase from us up to \$10,000,000 in shares of our common stock, subject to certain limitations from time to time over a 36-month period commencing on the date of effectiveness of the registration statement, of which this prospectus is a part, which provides for the resale of such shares pursuant to the Registration Agreement. The shares issuable to Lincoln Park under the Purchase Agreement are being offered pursuant to this prospectus.

Upon the effectiveness of the registration statement, and subject to the satisfaction of the other conditions of the Purchase Agreement, we may direct Lincoln Park from time to time and at our sole discretion to purchase shares of our common stock up to an aggregate amount of \$10,000,000. We may direct Lincoln Park, at our sole discretion and subject to certain conditions, to purchase up to 75,000 shares of our common stock in regular purchases. Additionally, we may direct Lincoln Park to purchase additional amounts as accelerated purchases if on the date of a regular purchase the closing sale price of our common stock equals or exceeds \$0.60 per share.

There is no upper limit on the price per share that Lincoln Park must pay for our common stock under the Purchase Agreement, but in no event will shares be sold to Lincoln Park under a regular purchase on a day our closing price is less than the minimum floor price of \$0.25 per share. The Company will control the timing and amount of any sales of common stock to Lincoln Park.

As consideration for Lincoln Park's commitment to purchase our common stock pursuant to the Purchase Agreement, we issued to Lincoln Park 671,785 shares of our common stock on February 25, 2014.

The proceeds received by us under the Purchase Agreement are expected to be used for working capital and general corporate purposes as described further in this prospectus.

The Purchase Agreement limits our sales of shares of common stock to Lincoln Park to no more than the number of shares that would result in the beneficial ownership by Lincoln Park and its affiliates, at any single point in time, of more than 9.99% of the then outstanding shares of our common stock.

As a result, although the Purchase Agreement provides that we may sell up to \$10,000,000 in shares of our common stock to Lincoln Park, only 12,671,785 shares are being offered under this prospectus, which represents (i) up to 12,000,000 shares that we may sell and issue to Lincoln Park from time to time in the future pursuant to the Purchase Agreement after the registration statement of which this prospectus forms a part is declared effective, and (ii) up to 671,785 shares as commitment shares that we have previously issued to Lincoln Park under the Purchase Agreement. This aggregate number of shares may or may not cover all of such shares to be purchased by and issued to Lincoln Park under the Purchase Agreement, depending on the purchase price per share. In the event the initial registration statement is insufficient to cover all of the shares issuable under the Purchase Agreement, we may elect to file a new registration statement so as to cover all of the shares potentially issuable.

As of May 14, 2014, there were 56,411,075 shares of our common stock issued and outstanding, of which 42,232,432 shares were held by non-affiliates. If all of the 4,671,785 shares offered by Lincoln Park under this prospectus were issued and outstanding as of the date hereof, such shares would represent approximately 8% of the total common stock outstanding and approximately 11% of the total number of outstanding shares held by non-affiliates.

The actual number of shares to be purchased by Lincoln Park under the Purchase Agreement is variable, depending on the market price of our common stock at the time of each sale. Accordingly, we cannot predict the actual total number of shares to be issued to Lincoln Park. This prospectus covers 4,671,785 shares of common stock. As of the date hereof, we do not currently have any plans or intent to issue to Lincoln Park any shares pursuant to the Purchase Agreement beyond the 4,671,785 shares offered hereby. However, if we elect to issue and sell to Lincoln Park pursuant to the Purchase Agreement more than the 4,671,785 shares offered under this prospectus, which we have the right but not the obligation to do, up to the \$10,000,000 maximum in shares of our common stock, we would first be required to register for resale under the Securities Act any additional shares we may elect to sell to Lincoln Park before we can sell such additional shares, which could cause additional substantial dilution to our shareholders. The number of shares issued pursuant to the Purchase Agreement and ultimately offered for resale by Lincoln Park depends on the number of shares purchased by Lincoln Park under the Purchase Agreement.

There are substantial risks to our stockholders as a result of the sale and issuance of common stock to Lincoln Park under the Purchase Agreement. These risks include substantial dilution, significant declines in our stock price and our inability to draw sufficient funds when needed. See "Risk Factors." Issuance of our common stock to Lincoln Park under the Purchase Agreement will not affect the rights or privileges of our existing stockholders, except that the economic and voting interests of our existing stockholders will be diluted as a result of any such issuance. Although the number of shares of common stock that our existing stockholders own will not decrease, the shares owned by our existing stockholders will represent a smaller percentage of our total outstanding shares after any such issuance to Lincoln Park.





## SUMMARY OF THE OFFERING

The following is a summary of the shares being offered by the selling stockholder:

|   |  |
|---|--|
| Common Stock offered by selling stockholder       | Up to 4,671,785 shares of common stock (which includes (i)12,000,000 shares which we may sell to Lincoln Park under the Purchase Agreement and (ii) 671,785 commitment shares issued to Lincoln Park.  |
| Common Stock outstanding prior to the offering    | 56,411,075 shares  |
| Common Stock to be outstanding after the offering | 61,082,860 shares  |
| Use of proceeds                                   | We will not receive any proceeds from the sale of shares of our common stock by Lincoln Park; however, we may receive proceeds of up to \$10,000,000 under the Purchase Agreement for the sale of such shares to Lincoln Park. See "Use of Proceeds" for a more complete description of our intended use of the net proceeds from this offering. |
| Risk Factors                                      | You should carefully read "Risk Factors" in this prospectus for a discussion of factors that you should consider before deciding to invest in our common stock.  |

The number of shares of our common stock that will be outstanding immediately after this offering is based on 56,411,075 shares of common stock outstanding as of May 14, 2014 and excludes an aggregate of 43,186,305 shares of common stock issuable upon the exercise of stock options and warrants, and the conversion of preferred stock.

## RISK FACTORS

An investment in the Company's common stock involves a high degree of risk. You should carefully consider the risks described below as well as other information provided to you in this prospectus, including information in the section of this document entitled "Forward Looking Statements." There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline, and you may lose all or part of your investment.

## RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our limited operating history makes evaluating our business and future prospects difficult, and may increase the risk of your investment.

We have a very limited operating history on which investors can base an evaluation of our business, operating results and prospects. We have no operating history with respect to converting internal combustion motor vehicles into plug-in hybrid electric vehicles by utilizing electric load assist on a parallel platform, commercializing our heat pipe technology and licensing it to motor and generator manufacturers or selling mobile generators or translating our thermal technology from testing and one-off applications into mass market production. Consequently, it is difficult to predict our future revenues, if any, and appropriately budget for our expenses, and we have limited insight into trends that may emerge and affect our business.

We have only recently begun the final commercialization of our complete system in preparation for our initial conversion of a vehicle. Completion of the initial commercialization of the hybrid conversion system is dependent upon the availability of sufficient funds, final engineering, component procurement, and build out and testing. This limits our ability to accurately forecast the cost of the conversions or to determine a precise date on which the commercial platform for vehicle conversions will be released. In addition, we may also need to do extensive testing to ensure that the conversions are in compliance with applicable National Highway Traffic Safety Administration safety regulations and EPA regulations prior to full distribution to our licensees. If the markets for hybrid electric conversions and/or electric motors enhanced with thermal technology and/or mobile generators do not develop as we expect or develop more slowly than we expect, our business, prospects, financial condition and operating results will be harmed.

We have a history of operating losses and expect to continue incurring losses for the foreseeable future.

We were incorporated in 2002 and in March 2011, we began commercialization of our technologies and research and development activities. We incurred losses from inception through March 31, 2014 of \$ 23,951,892. We recorded a net loss of \$3,037,594 as of December 31, 2013, a net loss of \$696,357 as of December 31, 2012 and a net loss of \$15,093,726 as of March 31, 2014. We cannot anticipate when, if ever, our operations will become profitable. We expect to incur significant net losses as we develop and commercialize our technologies and pursue our business strategy. We intend to invest significantly in our business before we expect cash flow from operations to be adequate to cover our operating expenses. If we are unable to execute our business strategy and grow our business, for any reason, our business, prospects, financial condition and results of operations will be adversely affected.

As reflected in the accompanying financial statements for the year ended December 31, 2013, and the three months ended March 31, 2014, the Company has no revenues and needs additional cash resources to maintain its operations. These factors raise substantial doubt about our ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to raise additional capital. We cannot predict when, if ever, we will be successful in raising additional capital and, accordingly, we may be required to cease operations at any time, if we do not have sufficient working capital to pay our operating costs.

If we are unable to obtain additional funding, our business operations will be harmed.

We will require additional funds to implement our business strategy and develop and commercialize our products. We anticipate that we will require a minimum of \$2,000,000 to fund our planned activities for the next twelve months for working capital. We may issue additional equity securities to raise needed capital. We may be unable to secure such funding when needed in adequate amounts or on acceptable terms, if at all. Any additional equity financing may involve substantial dilution to our then existing stockholders. The inability to raise the additional capital will restrict

our ability to develop and conduct business operations.

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Additionally, we may direct Lincoln Park to purchase up to \$10,000,000 worth of shares of our common stock under the Purchase Agreement over a 36-month period generally in amounts up to 75,000 shares of our common stock on any such business day. However, there can be no assurance that we will be able to receive any or all of the additional funds from Lincoln Park because the Purchase Agreement contain limitations, restrictions, events of default and other provisions that could limit our ability to cause Lincoln Park to buy common stock from us, including that: (i) Lincoln Park shall not purchase any shares of our common stock on any business day that the closing sale price of our common stock is less than \$0.25 per share, subject to adjustment as set forth in the Purchase Agreement, and (ii) Lincoln Park shall not own more than 9.99% of our common stock under the Purchase Agreement. Assuming a purchase price of \$1.00 per share (the closing sale price of the common stock on May 19, 2014), and the purchase by Lincoln Park of the full 4,671,785 shares registered hereunder, proceeds to us would only be \$ 4,671,785.

Our reliance on Lincoln Park as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. If obtaining sufficient funding from Lincoln Park were to prove unavailable or prohibitively dilutive, we will need to raise additional funds in order to commercialize our products.

Our independent auditors have expressed their concern as to our ability to continue as a going concern.

As a result of our financial condition, we have received a report from our independent registered public accounting firm for our financial statements for the period from March 24, 2011 (inception) to December 31, 2013 and the years ended December 31, 2012 and 2013 that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. In order to continue as a going concern, we must effectively use the funds we now have to begin to generate revenue from our three product lines, so that we can fund our operations from our sales and licensing. If we are not able to do this, we may not be able to continue as an operating company.

The pending litigation with Spirit Bear Limited (“Spirit Bear”) may divert our management’s time and Company resources.

The pending litigation with Spirit Bear results in diverting our management’s time and Company resources. On August 27, 2013, the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, and the two other former directors and Spirit Bear Board appointees, Carrie Dwyer and Donica Holt, seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and that the defendants are bound by the Settlement Agreement, dated April 12, 2013. The defendants have indicated that they will seek indemnification from the Company as a result of the Company initiating the lawsuit. This litigation continues to divert Company resources from effectuating its business plan, including but not limited to utilizing capital in pursuing the litigation and defending the claims made by the defendants.

The market for plug-in hybrid electric vehicle conversions is relatively new.

The hybrid electric vehicle conversion market is rapidly evolving, characterized by rapidly changing technologies, evolving government regulation and changing consumer demands and behaviors. Factors that may influence the conversion to plug-in electric vehicles include: decreases in the price of oil, gasoline and diesel fuel may slow the growth of our business and negatively impact our financial results.

Prices for oil, gasoline and diesel fuel can be very volatile. We believe that increases in the price of fuels will raise interest in plug-in hybrid conversions and decreases in the price of fuels will likely reduce interest in conversions, which reduced interest could slow the growth of our business.



Our growth depends in part on environmental regulations and programs mandating the use of vehicles that get better gas mileage and generate fewer emissions. Modification or repeal of these regulations may adversely impact our business.

Enabling commercial customers to meet environmental regulations and programs in the United States that promote or mandate the use of vehicles that get better gas mileage and generate fewer emissions is an integral part of our business plan. For example, the Ports of Los Angeles and Long Beach have adopted the San Pedro Bay Ports Clean Air Action Plan, which outlines a Clean Trucks Program that calls for the replacement of 16,000 drayage trucks with trucks that meet certain clean truck standards.

Industry participants with a vested interest in gasoline and diesel invest significant time and money in efforts to influence environmental regulations in ways that may delay or repeal requirements for cleaner vehicle emissions. For example, the American Trucking Association has filed suit to challenge specific concession requirements in the Clean Trucks Program, which may delay the program's implementation. Parts of the program requirements were struck down by the Supreme Court in June 2013. Other parts were sent back to a lower court for further consideration.

Furthermore, the recent economic recession may result in the delay, amendment or waiver of environmental regulations due to the perception that they impose increased costs on the transportation industry or the general public that cannot be absorbed in a shrinking economy. The delay, repeal or modification of federal or state regulations or programs that encourage the use of more efficient and/or cleaner vehicles could slow our growth and adversely affect our business.

If we are unable to keep up with rapid technological changes in our field, we will be unable to operate profitably.

Our industry is characterized by extensive research efforts and rapid technological progress. If we fail to anticipate or respond adequately to technological developments, our ability to operate profitably could suffer. We cannot assure you that research and discoveries by other companies will not render our technologies or potential products or services uneconomical or result in products superior to those we develop or that any technologies, products or services we develop will be preferred to any existing or newly-developed technologies, products or services.

Many of our potential competitors are better established and have significantly greater resources which may make it difficult for us to compete in the markets in which we intend to sell our products.

The market for the products we develop is highly competitive. Many of our potential competitors are well established with larger and better resources, longer relationships with customers and suppliers, greater name recognition and greater financial, technical and marketing resources than we have. Increased competition may result in price reductions, reduced gross margins, loss of market share and loss of licensees, any of which could materially and adversely affect our business, operating results and financial condition. We cannot ensure that prospective competitors will not adopt technologies or business plans similar to ours, or develop products which may be superior to ours or which may prove to be more popular. It is possible that new competitors will emerge and rapidly acquire market share. We cannot ensure that we will be able to compete successfully against future competitors or that the competitive pressures will not materially and adversely affect our business, operating results and financial condition.

Some aspects of our business will depend in part on the availability of federal, state and local rebates and tax credits for hybrid electric vehicles. A reduction in these incentives would increase the cost of conversions for our customers and could significantly reduce our revenue.

We believe that hybrid conversions for the general public will depend in part on tax credits, rebates and similar federal, state and local government incentives that promote hybrid electric vehicles. Any reduction, elimination or

discriminatory application of federal, state and local government incentives and other economic subsidies or tax credits because of policy changes, the reduced need for such subsidies or incentives due to the perceived success of the hybrid conversions, fiscal tightening or other reasons could have a material adverse effect on our business, financial condition, and operating results.



We may experience significant delays in the design and implementation of our thermal technology into the motors and/or generators of the companies with which we have research and development agreements which could harm our business and prospects.

Motor manufacturers often experience delays in the design, manufacture and commercial release of new product lines. Any delay in the financing, design, and implementation of our thermal technology into the motor and/or generator lines of companies with which we may have research and development agreements could materially damage our brand, business, prospects, financial condition and operating results.

If we are unable to adequately control the costs associated with operating our business, including our costs of sales and materials, our business, financial condition, operating results and prospects will suffer.

If we are unable to maintain a sufficiently low level of costs for designing, marketing, selling and distributing our conversion system and thermal technologies relative to their selling prices, our operating results, gross margins, business and prospects could be adversely impacted. We have made, and will be required to continue to make, significant investments for the design and sales of our system and technologies. There can be no assurances that our costs of producing and delivering our system and technologies will be less than the revenue, if any, we may generate from sales and/or licensing. We may be required to incur substantial marketing costs and expenses to promote our systems and technologies, even though our marketing expenses to date have been relatively limited. Many of the factors that impact our operating costs are beyond our control. For example, the costs of our components could increase due to shortages if global demand for such components increases. If hybrid conversions exceed current expectations without significant expansion in battery production capacity and advancements in battery technology, shortages could occur which would result in increased costs to us.

We will be dependent on our suppliers, some of which are single or limited source suppliers and the inability or refusal of these suppliers to deliver components at prices and volumes acceptable to us would have an adverse effect on our business.

We are currently evaluating and selecting suppliers for our conversion system. We hope to source globally from a number of suppliers, some of whom may be single source suppliers for these components. While we hope to obtain components from multiple sources whenever possible, it may not always be possible to avoid purchasing from a single source. To date, we have not qualified alternative sources for any of our single-sourced components. We may be unable to establish alternate supply relationships and obtain or engineer replacements for our single source components, in the short term or at all, or at prices favorable to us. Qualifying alternate suppliers or developing our own replacements for certain highly customized components may be time consuming and costly.

Failure to obtain reliable sources of component supply that will enable us to meet quality, price, engineering, design and production standards, as well as the production volumes required to successfully market our conversion system could negatively affect our Company's revenues and business operations. Even if we are successful in developing a high volume conversion platform and reliable sources of component supply, we do not know whether we will be able to do so in a manner that avoids significant delays and cost overruns.

If we experience significant increased demand, or need to replace our existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, or that a supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to delays to our customers, which could hurt our relationships with our customers, result in negative publicity, damage our brand and adversely affect our business, prospects and operating results.



Any significant disruption in our supplier relationships, particularly relationships with sole source suppliers, could harm our business. Furthermore, some of our suppliers may not be able to handle any commodity cost volatility and/or sharply changing volumes while still performing as we expect. To the extent our suppliers experience supply disruptions, there is a risk for delivery delays, production delays, production issues or delivery of non-conforming products by our suppliers. Even where these risks do not materialize, we may incur costs as we try to make contingency plans for such risks.

The use of plug-in hybrid electric vehicles, mobile generators or incorporation of our heat pipe technology in vehicle components or electric motors and generators may not become sufficiently accepted for us to develop our business.

In order to develop our business, we must license fleet, dealer and service center and manufacturing customers. We cannot guarantee that we will be able to develop these customers or that they will enter into license agreements with us. Whether we will be able to develop a customer base will depend on a number of factors, including the level of acceptance of plug-in hybrid electric vehicles and/or mobile generation by fleet owners and the general public or the desire by vehicle parts or electric motor manufacturers to enhance their products with our heat pipe technology. If we are unable to develop a customer base we will be unable to develop and grow our business.

If there are advances in other alternative vehicle fuels or technologies, or if there are improvements in gasoline or diesel engines or in heat reduction or heat transfer technology, demand for hybrid electric conversions and our other products may decline and our business may suffer.

Technological advances in the production, delivery and use of alternative fuels that are or are perceived to be cleaner and more cost-effective than our traditional fuel/electric combination have the potential to slow adoption of plug-in hybrid electric vehicles. Hydrogen, compressed natural gas and other alternative fuels in experimental or developmental stages may eventually offer a cleaner, more cost-effective alternative to our gasoline or diesel and electric combination. Any significant improvements in the fuel economy or efficiency of the internal combustion engine may slow conversions to plug-in hybrid vehicles and, consequently, would have a detrimental effect on our business and operations. While we are currently unaware of innovations in or introductions of new heat reduction or heat transfer technologies or mobile generation, competitors or others may introduce new technology that offers better or equivalent results at a lower price at any time which would have a detrimental effect on our business and operations.

Our research and commercialization efforts may not be sufficient to adapt to changes in electric vehicle technology.

As technologies change, we plan to upgrade or adapt our conversion system in order to continue to provide vehicles with the latest technology. However, our conversions may not compete effectively with alternative vehicles if we are not able to source and integrate the latest technology into our conversion system. Since we do not plan to manufacture battery cells, we are dependent on suppliers of battery cell technology for our battery packs. Any failure to keep up with advances in electric or internal combustion vehicle technology would result in a decline in our competitive position which would adversely affect our business, prospects, operating results and financial condition.

A prolonged economic downturn or economic uncertainty could adversely affect our business and cause us to require additional sources of financing, which may not be available.

Economic cycles and any related fluctuation in the businesses of our potential fleet customers, electric motor manufacturers or income of the general public may have a material adverse effect on our financial condition, results of operations or cash flows. If global economic conditions deteriorate or economic uncertainty increases, our potential customers may experience lowered incomes or deterioration of their businesses, which may result in the delay or cancellation of plans to convert their vehicles, reduced license sales or reduced royalties from sales by licensees. As a

consequence, our cash flow could be adversely impacted.

Any changes in business credit availability or cost of borrowing could adversely affect our business.

Declines in the availability of business credit and increases in corporate borrowing costs could negatively impact the number of conversions performed, mobile generators installed and the number of electric motors and generators manufactured. Substantial declines in the number of conversions by our customers could have a material adverse effect on our business, results of operations and financial condition.

In addition, the disruption in the capital markets that began in 2008 has reduced the availability of debt financing to support the conversion of existing vehicles into plug-in hybrids. If our potential customers are unable to access credit to convert their vehicles, it would impair our ability to grow our business.

If we lose any of our key management personnel, we may not be able to successfully manage our business or achieve our objectives.

Our future success depends in large part upon the leadership and performance of our management and consultants. The Company's operations and business strategy are dependent upon the knowledge and business contacts of our executive officers and our consultants. We have employment agreements with our Chief Executive Officer, President and Chief Technical Officer and a consulting agreement for the services of Quentin Ponder, our Chief Financial Officer. Although, we hope to retain the services of all of our officers, if an officer should choose to leave us for any reason before we have hired additional personnel, our operations may suffer. If we should lose their services before we are able to engage and retain qualified employees and consultants to execute our business plan, we may not be able to continue to develop our business as quickly or efficiently.

In addition, we must be able to attract, train, motivate and retain highly skilled and experienced technical employees in order to successfully develop our business. Qualified technical employees often are in great demand and may be unavailable in the time frame required to satisfy our business requirements. We may not be able to attract and retain sufficient numbers of highly skilled technical employees in the future. The loss of technical personnel or our inability to hire or retain sufficient technical personnel at competitive rates of compensation could impair our ability to successfully grow our business. If we lose the services of any of our consultants, we may not be able to replace them with similarly qualified personnel, which could harm our business.

We may incur material losses and costs as a result of product defects, warranty claims or product liability actions that may be brought against us.

We face an inherent business risk of exposure to product liability in the event that our hybrid conversions or other products fail to perform as expected or failure of our products results in bodily injury or property damage.

If flaws in the design of our products were to occur, we could experience a rate of failure in our hybrid conversions or other products that could result in significant charges for product re-work or replacement costs. Although we plan to engage in extensive quality programs and processes, these may not be sufficient to avoid conversion or product failures, which could cause us to:

- lose net revenue;
- incur increased costs such as costs associated with customer support;
- experience delays, cancellations or rescheduling of conversions or orders for our products;
- experience increased product returns or discounts; or
- damage our reputation;

all of which could negatively affect our financial condition and results of operations.



If any of our hybrid conversions or other products are or are alleged to be defective, we may be required to participate in a recall involving such conversions or products. A recall claim brought against us, or a product liability claim brought against us in excess of our insurance, may have a material adverse effect on our business.

Depending on the terms under which we supply products to a vehicle component or engine manufacturer, a manufacturer may attempt to hold us responsible for some or all of the repair or replacement costs of defective products under their warranties when the manufacturer asserts that the product supplied did not perform as warranted.

Developments or assertions by us or against us relating to intellectual property rights could materially impact our business.

We own significant intellectual property, including a large number of patents, and intend to be involved in numerous licensing arrangements. Our intellectual property should play an important role in maintaining our competitive position in a number of the markets we intend to serve.

We will attempt to protect proprietary and intellectual property rights to our products and conversion system through available patent laws and licensing and distribution arrangements with reputable domestic and international companies. Despite these precautions, patent laws afford only limited practical protection in certain countries.

Litigation may also be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others or to defend against claims of invalidity. Such litigation could result in substantial costs and the diversion of resources.

As we create or adopt new technology, we will also face an inherent risk of exposure to the claims of others that we have allegedly violated their intellectual property rights.

Our products could infringe on the intellectual property rights of others which may result in costly litigation and, if we do not prevail, could also cause us to pay substantial damages and prohibit us from selling or licensing our products.

Third parties may assert infringement or other intellectual property claims against us. We may have to pay substantial damages, including damages for past infringement if it is ultimately determined that our products or technology infringe a third party's proprietary rights. Further, we may be prohibited from selling or providing products before we obtain additional licenses, which, if available at all, may require us to pay substantial royalties or licensing fees. Even if claims are determined to be without merit, defending a lawsuit takes significant time, may be expensive and may divert management's attention from our other business concerns. Any public announcements related to litigation or interference proceedings initiated or threatened against us could cause our business to be harmed and our stock price to decline.

We may incur losses, additional costs or even interruption of business operations as a result of fines or sanctions brought by government regulators.

Our business will be subject to various U.S. federal, state and local, and non-U.S. environmental, transportation and safety laws and regulations, such as requirements for aftermarket fuel conversion certification by the EPA or separate requirements for aftermarket fuel conversion certification by California and other states.

We cannot assure you that we will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or certifications, we could be fined or otherwise sanctioned by regulators.

We may face risks from doing business internationally.

If we are successful in commercializing our products, we may license, sell or distribute products outside the United States, and derive revenues from these sources. Consequently, our revenues and results of operations will be vulnerable to currency fluctuations. We will report our revenues and results of operations in United States dollars, but a significant portion of our revenues may be earned outside of the United States. We cannot accurately predict the impact of future exchange rate fluctuations on revenues and operating margins. Such fluctuations could have an adverse effect on our business, results of operations and financial condition.

Our business will also be subject to other risks inherent in the international marketplace, many of which are beyond our control. These risks include:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- changes in local regulatory requirements, including restrictions on conversions;
- differing cultural tastes and attitudes;
- differing degrees of protection for intellectual property;
- the instability of foreign economies and governments;
- war and acts of terrorism.

Any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

We are subject to extensive financial reporting and related requirements for which our accounting and other management systems and resources may not be adequately prepared.

We are subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting. These reporting and other obligations will place significant demands on our management, administrative, operational and accounting resources.

Management has determined that there are material weaknesses in our internal controls over financial reporting. This resulted from our relatively small number of personnel and the limited funding. However, in 2013 the funding improved dramatically which allowed us to implement changes that have significantly improved our internal controls. We have contracted with an external Certified Fraud Accountant to handle the entries into our computerized accounting system and to handle the bank accounts and reconciliations. Payroll will be handled by our financial institution. We have also entered into an agreement with the accounting outsourcing department of DeJoya Griffith, LLC, our former auditors, to review the preparation of the financials to insure they meet the requirements of GAAP and all regulations/and or security laws, prior to submitting the financial to the audit firm of Anton & Chia.



Management believes these changes will result in adequate internal controls for the company in its present size. With growth there will be continuing evaluation as to whether these controls are adequate, and where necessary, we will upgrade the existing system and add the required personnel, including an internal audit function.

If we are unable to accomplish these objectives in a timely and effective manner, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a negative impact on our ability to manage our business and on our stock price.

We may be at risk to accurately report financial results or detect fraud if we fail to maintain an effective system of internal controls.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report that contains an assessment by management on the Company's internal control over financial reporting in their annual and quarterly reports on Form 10-K and 10-Q. We cannot assure you that significant deficiencies or material weaknesses in our disclosure controls and internal control over financial reporting will not be identified in the future. Also, future changes in our accounting, financial reporting, and regulatory environment may create new areas of risk exposure. Failure to modify our existing control environment accordingly may impair our controls over financial reporting and cause our investors to lose confidence in the reliability of our financial reporting, which may adversely affect our stock price.

#### RISKS ASSOCIATED WITH OUR COMMON STOCK AND COMPANY

The issuance of shares upon conversion of the preferred shares and exercise of outstanding warrants and options will cause immediate and substantial dilution to our existing stockholders.

As of May 19, 2014, there are currently 160 shares of our Series A Convertible Preferred Stock (the "Preferred Stock") convertible into an aggregate of 8,000,000 shares of common stock, warrants to purchase an aggregate of 25,186,305 shares of common stock and options to purchase an aggregate of 10,000,000 shares of common stock outstanding. The issuance of shares upon conversion of preferred shares and exercise of warrants and options, will result in substantial dilution to the interests of other stockholders since the selling security holders may ultimately convert and sell the full amount issuable on conversion. In addition, the Company is required to reserve out of its authorized and unissued shares of common stock, 12,000,000 shares for the purpose of effecting purchases under its purchase agreement with Lincoln Park. If the Company does not amend its Articles of Incorporation to increase the number of its authorized shares of common stock, it may not have sufficient shares to issue and will be in breach of the terms of its purchase agreement with Lincoln Park.

Our common stock is subject to the "penny stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The SEC has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person's account for transactions in penny stocks; and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (i) obtain financial information and investment experience objectives of the person; and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.



The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (i) sets forth the basis on which the broker or dealer made the suitability determination; and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Because we do not intend to pay any cash dividends on our shares of common stock, our stockholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them at a price higher than that which they initially paid for such shares.

The market price of our shares of common stock is subject to fluctuation.

The market prices of our shares may fluctuate significantly in response to factors, some of which are beyond our control, including:

- The announcement of new products by our competitors
- The release of new products by our competitors
- Developments in our industry or target markets
- General market conditions including factors unrelated to our operating performance

Recently, the stock market in general has experienced extreme price and volume fluctuations. Continued market fluctuations could result in extreme market volatility in the price of our shares of common stock which could cause a decline in the value of our shares.

There is a very limited trading market for our securities.

There is currently only a limited trading market for our common stock. We cannot predict the extent investor interest will lead to development of an active trading market or how liquid that trading market might become. If an active trading market does not develop or is not sustained, it may be difficult for investors to sell shares of our common stock at a price that is attractive or at all. In such a case, you may find that you are unable to achieve any benefit from your investment or liquidate your shares.

Because we are not subject to compliance with rules requiring the adoption of certain corporate governance measures, our stockholders have limited protections against interested director transactions, conflicts of interest and similar matters.

The Sarbanes-Oxley Act of 2002, as well as rule changes proposed and enacted by the SEC, the New York Stock Exchange, the Amex Equities Exchanges and NASDAQ, as a result of Sarbanes-Oxley, require the implementation of various measures relating to corporate governance. These measures are designed to enhance the integrity of corporate management and the securities markets and apply to securities which are listed on those exchanges or the NASDAQ. Because we will not be seeking to be listed on any of the exchanges, we are not presently required to comply with many of the corporate governance provisions.

Because our directors are not independent, we do not currently have independent audit or compensation committees. As a result, the directors have the ability, among other things, to determine their own level of compensation. Until we comply with such corporate governance measures, regardless of whether such compliance is required, the absence of such standards of corporate governance may leave our stockholders without protections against interested director transactions, conflicts of interest and similar matters and investors may be reluctant to provide us with funds necessary to expand our operations.

Our Articles of incorporation allows for our board of directors to create new series of preferred stock without further approval by our stockholders which could adversely affect the rights of the holders of our common stock.

Our Board has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board also has the authority to issue preferred stock without further stockholder approval. As a result, our Board could authorize the issuance of a series of preferred stock that would grant to such holders (i) the preferred right to our assets upon liquidation, (ii) the right to receive dividend payments before dividends are distributed to the holders of common stock and (iii) the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing common stockholders.

Any of the actions described in the preceding paragraph could significantly adversely affect the investment made by holders of our common stock. Holders of common stock could potentially not receive dividends that they might otherwise have received. In addition, holders of our common stock could receive less proceeds in connection with any future sale of the Company, whether in liquidation or on any other basis.

Our officers and directors own a substantial amount of our common stock and, therefore, exercise significant control over our corporate governance and affairs which may result in their taking actions with which other shareholders do not agree.

Our executive officers and directors control approximately 37% of our outstanding common stock. These stockholders, if they act together, may be able to exercise substantial influence over the outcome of all corporate actions requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions, which may result in corporate action with which other stockholders do not agree. This concentration of ownership may also have the effect of delaying or preventing a change in control which might be in other stockholders' best interest but which might negatively affect the market price of our common stock.

We are in breach of our agreements with certain investors for failure to timely file a registration statement with the SEC registering shares offered and sold to such investors.

In connection with the offer and sale of an aggregate of 12,560,097 shares and warrants to purchase an aggregate of 14,998,472 shares of common stock, the Company agreed to file a registration statement with the SEC including these shares once the Company sold an aggregate of \$1 million shares. The Company sold \$1 million shares in July 2013 and has not filed the required registration statement on Form S-1 with the SEC and accordingly is in breach of the agreement. In addition, our placement agents also have “piggyback” registration rights for shares underlying warrants issued to them. If an investor or placement agent decides to bring an action against the Company we may be faced with litigation and other costs and damages if unsuccessful in any such action.

The sale or issuance of our common stock to Lincoln Park may cause dilution and the sale of the shares of common stock acquired by Lincoln Park, or the perception that such sales may occur, could cause the price of our common stock to fall.

Under the Purchase Agreement with Lincoln Park, upon effectiveness of the registration statement for resale of the shares offered by this prospectus, and subject to other conditions, we may direct Lincoln Park to purchase up to \$10,000,000 of our shares of common stock over a 36-month period. We have issued to Lincoln Park 671,785 shares of common stock as commitment shares as of the date of this prospectus, as a fee for its commitment to purchase the shares, if any, registered for resale under any additional registration statement. The number of shares ultimately offered for sale by Lincoln Park under this prospectus is dependent upon the number of shares purchased by Lincoln Park under the Purchase Agreement. Depending on market liquidity at the time, sales of shares we issue to Lincoln Park may cause the trading price of our common stock to decline.

Subject to certain conditions, we generally have the right to control the timing and amount of any sales of our shares to Lincoln Park, except that, pursuant to the terms of our agreements with Lincoln Park, we would be unable to sell shares to Lincoln Park if and when the market price of our common stock is below \$0.25 per share or if Lincoln Park would own more than 9.99% of our common stock for stock sold to it under the Purchase Agreement. The purchase price for the shares that we may sell to Lincoln Park will fluctuate based on the price of our common stock and other factors determined by us. As such, Lincoln Park may ultimately purchase all, some or none of the shares of our common stock offered pursuant to this prospectus and, after it has acquired shares, Lincoln Park may resell all, some or none of those shares. Therefore, sales to Lincoln Park by us pursuant to the Purchase Agreement could result in substantial dilution to the interests of other holders of our common stock. Additionally, the sale of a substantial number of shares of our common stock to Lincoln Park, or the anticipation of such sales, could cause the trading price of our common stock to decline and could make it more difficult for us to sell equity or equity-related securities in the future.

We qualify as an “emerging growth company” under the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to shareholder advisory votes, such as “say-on-pay” and “say-on-frequency;” and

disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive's compensation to median employee compensation.

We will remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

Until such time, however, we cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Since we have elected under Section 107 of the JOBS Act to use the extended transition period with respect to complying with new or revised accounting standards, our financial statements may not be comparable to companies that comply with public company effective dates making it more difficult for an investor to compare our results with other public companies.

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 102(b)(2)(B) of the Act for complying with new or revised accounting standards. In other words, as an emerging growth company we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

#### USE OF PROCEEDS

We will not receive any proceeds from the sales of shares of our common stock by Lincoln Park; however, we may receive proceeds of up to \$10,000,000 under the Purchase Agreement over the 36-month period following the effective date of the registration statement of which this prospectus is a part assuming that we sell all of the shares available thereunder and excluding the cost of the shares issued to Lincoln Park for its commitment. However, there can be no assurance we will sell any or all of the shares to Lincoln Park or that they will resell such shares offered hereby.

We intend to use any such proceeds received for general corporate purposes. We have agreed to bear the expenses relating to the registration of the shares for the selling stockholder.

#### SELLING STOCKHOLDER

This prospectus relates to the possible resale by the selling stockholder, Lincoln Park, of shares of common stock that have been or may be issued to Lincoln Park pursuant to the Purchase Agreement. We are filing the registration statement of which this prospectus forms a part pursuant to the provisions of the Registration Rights Agreement, which we entered into with Lincoln Park on February 19, 2014 concurrently with our execution of the Purchase Agreement, in which we agreed to provide certain registration rights with respect to sales by Lincoln Park of the shares of our common stock that have been or may be issued to Lincoln Park under the Purchase Agreement.

Lincoln Park, as the selling stockholder, may, from time to time, offer and sell pursuant to this prospectus any or all of the shares that we have sold or may sell to Lincoln Park under the Purchase Agreement. Lincoln Park may sell some, all or none of its shares. We do not know how long the selling stockholder will hold the shares before selling them, and we currently have no agreements, arrangements or understandings with the selling stockholder regarding the sale of any of the shares.





The following table sets forth the shares beneficially owned, as of May 19, 2014, by the selling stockholder prior to the offering contemplated by this prospectus, the number of shares that the selling stockholder may offer and sell from time to time under this prospectus and the number of shares which the selling stockholder would own beneficially if all such offered shares are sold.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the SEC under the Exchange Act. The percentage of shares beneficially owned prior to the offering is based on 56,411,075 shares of our common stock outstanding as of May 14, 2014.

Lincoln Park is not a registered broker-dealer or an affiliate of a registered broker-dealer. Neither Lincoln Park nor any of its affiliates has held a position or office, or had any other material relationship, with us or any of our predecessors or affiliates. The selling stockholder has acquired its shares solely for investment and not with a view to or for resale or distribution of such securities.

| Name of Selling Stockholder       | Beneficial Ownership Before the Offering | Percentage of Ownership Before the Offering | Percentage of Ownership Before the Offering | Shares of Common Stock Included in Prospectus assuming the Company issues the Maximum Number of Shares Under the Purchase Agreement | Beneficial Ownership After the Offering | Percentage of Ownership After the Offering |
|-----------------------------------|--|---|---|---|---|--|
| Lincoln Park Capital Fund, LLC(1) | 1,560,675 (2)                            | 2.8   | %(3)  | 4,671,785 (4)   | 444,445                                 | *  |

\*less than 1%.

(1) Josh Scheinfeld and Jonathan Cope, the Managing Members of Lincoln Park Capital, LLC, are deemed to be beneficial owners of all of the shares of common stock owned by Lincoln Park Capital Fund, LLC. Messrs. Cope and Scheinfeld have shared voting and investment power over the shares being offered under the prospectus filed with the SEC in connection with the transactions contemplated under the Purchase Agreement.

(2) Includes 671,785 shares of our common stock issued to Lincoln Park on February 25, 2014 as a fee for its commitment to purchase additional shares of our common stock under the Purchase Agreement which shares are covered by the registration statement that includes this prospectus and 444,445 shares of common stock underlying warrants which are exercisable at \$0.60 per share or on a cashless basis until February 14, 2019. See the description under the heading "The Lincoln Park Transaction" for more information about the Purchase Agreement.

(3) Based on 56,411,075 outstanding shares of our common stock as of May 14, 2014, which includes 671,785 shares of our common stock issued to Lincoln Park on February 25, 2014 as a commitment fee for its commitment to purchase additional shares of our common stock under the Purchase Agreement. Although we may at our discretion

elect to issue to Lincoln Park up to an aggregate amount of \$10,000,000 of our common stock under the Purchase Agreement, other than the shares described in the immediately preceding sentence, such shares are not included in determining the percentage of shares beneficially owned before this offering.

(4) Assumes the issuance of the maximum 4,671,785 shares being registered hereby, which reflects the 671,785 shares already issued and the issuance of an additional 4,000,000 shares under the Purchase Agreement.

## LINCOLN PARK TRANSACTION

### General

On February 19, 2014, we entered into the Purchase Agreement and the Registration Rights Agreement with Lincoln Park. Pursuant to the terms of the Purchase Agreement, Lincoln Park has agreed to purchase from us up to \$10,000,000 in shares of our common stock, subject to certain limitations. Under the terms of the Purchase Agreement, we may, from time to time and at our sole discretion during a 36-month period commencing on the date of the effectiveness of the registration statement of which this prospectus is a part, subject to the conditions of the Purchase Agreement, direct Lincoln Park to purchase shares of our common stock up to an aggregate amount of \$10,000,000. The amount we receive and the per share purchase price depends on whether the purchase is a Regular Purchase or an Accelerated Purchase. An aggregate of 4,671,785 shares issuable to Lincoln Park under the Purchase Agreement are being offered pursuant to this prospectus. The proceeds received by us under the Purchase Agreement are expected to be used for general corporate purposes as described further in this prospectus.

Pursuant to the terms of the Registration Rights Agreement, we have filed with the SEC the registration statement that includes this prospectus to register for resale under the Securities Act shares of common stock that may be issued and sold to Lincoln Park under the Purchase Agreement. Although the Purchase Agreement provides that we may sell up to \$10,000,000 in shares of our common stock to Lincoln Park, only 4,671,785 shares are being offered under this prospectus, which represents (i) up to 4,000,000 shares that we may sell and issue to Lincoln Park from time to time in the future pursuant to the Purchase Agreement after the registration statement of which this prospectus forms a part is declared effective, and (ii) up to 671,785 shares as commitment shares we are obligated to issue to Lincoln Park.

We cannot predict the actual total number of shares to be issued to Lincoln Park. The aggregate number of shares offered under this prospectus may or may not cover all of such shares to be purchased by and issued to Lincoln Park under the \$10,000,000 Purchase Agreement, depending on the purchase price per share. In the event the initial registration statement is insufficient to cover all of the shares issuable under the Purchase Agreement, we may elect to file a new registration statement so as to cover all of the shares potentially issuable. As of the date hereof, we do not currently have any plans or intent to issue to Lincoln Park any shares pursuant to the Purchase Agreement beyond the 4,671,785 shares offered hereby. If we elect to issue and sell to Lincoln Park pursuant to the Purchase Agreement more than the 4,671,785 shares offered under this prospectus, up to the \$10,000,000 maximum, we would first be required to register for resale under the Securities Act such additional shares, which could cause substantial additional dilution to our stockholders.

We are required to reserve 12,000,000 shares of common stock for issuance under the Purchase Agreement.

### Purchase of Shares under the Purchase Agreement

By means of a regular purchase, so long as at least two business days have passed since the most recent purchase, we may direct Lincoln Park to purchase up to 75,000 shares of our common stock at the regular purchase price except that Lincoln Park is not obligated to purchase more than \$500,000 of our common stock in any single purchase. The regular purchase price is the lower of:

the lowest sale price for our common stock quoted on the purchase date of such shares; and

the arithmetic average of the three lowest closing sale prices for our common stock during the 12 consecutive business days immediately preceding the purchase date of such shares.



Additionally, we may direct Lincoln Park to purchase additional amounts as accelerated purchases if on the date of a regular purchase the closing sale price of our common stock equals or exceeds \$0.60. In such event, we may direct Lincoln Park to purchase on the following day, as an accelerated purchase and at the accelerated purchase price, up to the lesser of:

two times the number of shares for a Regular Purchase or

up to 30% of the following day's volume.

The Accelerated Purchase Price is the lower of:

90% of the volume weighted average price during (i) the entire trading day on the purchase date, if the volume of shares of our common stock traded on the purchase date has not exceeded a volume maximum calculated in accordance with the Purchase Agreement, or (ii) the portion of the trading day on the purchase date (calculated starting at the beginning of normal trading hours) until such time at which the volume of shares of our common stock traded has exceeded such volume maximum, or

the closing sale price of our common stock on the purchase date.

There is no upper limit on the price per share that Lincoln Park must pay for our common stock under the Purchase Agreement, but in no event will shares be sold to Lincoln Park under a regular purchase on a day our closing price is less than the minimum floor price of \$0.25 per share. The regular purchase price and the accelerated purchase price will be equitably adjusted for any reorganization, recapitalization, non-cash dividend, stock split, or other similar transaction occurring during the business days used to compute the regular purchase price or accelerated purchase price.

The Purchase Agreement limits our sales of shares of common stock to Lincoln Park and its affiliates to 9.99% of our total outstanding common stock.

Other than as set forth above, there are no trading volume requirements or restrictions under the Purchase Agreement, and we will control the timing and amount of any sales of our common stock to Lincoln Park. Generally, each time we direct Lincoln Park, subject to the terms of the Purchase Agreement, Lincoln Park will be obligated to purchase such amounts as directed by us. Lincoln Park does not have the right to require us to sell any shares of common stock to them under the Purchase Agreement. We have no obligation to sell any shares under the Purchase Agreement and the actual proceeds that we receive from sales to Lincoln Park could be substantially less than the maximum \$10,000,000. Lincoln Park may not assign or transfer its rights and obligations under the Purchase Agreement.

#### Commitment Shares

As consideration for Lincoln Park's commitment to purchase our common stock pursuant to the Purchase Agreement, we issued to Lincoln Park 671,785 shares as commitment shares.

## Effect of Performance of the Purchase Agreement on Our Shareholders

All shares of common stock that are covered by this prospectus are expected to be freely tradable. It is anticipated that shares registered in this offering will be sold over a period of up to 36 months from the date of this prospectus. The sale by Lincoln Park of a significant amount of shares registered in this offering at any given time could cause the market price of our common stock to decline and to be highly volatile. Lincoln Park may ultimately acquire all, some or none of the shares of common stock not yet issued but registered in this offering. After it has acquired such shares, it may sell all, some or none of such shares. Therefore, sales to Lincoln Park by us under the Purchase Agreement may result in substantial dilution to the interests of other holders of our common stock. However, we have the right to control the timing and amount of any sales of our shares to Lincoln Park and the Purchase Agreement may be terminated by us at any time at our discretion without any cost to us.

As of May 14, 2014 there were 56,411,075 shares of our common stock issued and outstanding, of which 42,232,432 shares were held by non-affiliates. If all of the 4,671,785 shares offered by Lincoln Park under this prospectus were issued and outstanding as of the date hereof (without taking into account the 9.99% limitation), such shares would represent approximately 8% of the total common stock outstanding and approximately 11% of the total number of outstanding shares held by non-affiliates.

The number of shares ultimately offered for resale by Lincoln Park will be dependent upon the number of shares we sell to Lincoln Park under the Purchase Agreement. The following table shows the amount of proceeds we would receive from Lincoln Park from the sale of shares pursuant to the Purchase Agreement (without accounting for certain fees and expenses), to the extent covered by this prospectus, based on varying assumed average purchase prices:

| Assumed<br>Average<br>Purchase<br>Price | Number of<br>Registered<br>Shares to<br>be Issued if<br>Full<br>Purchase<br>(1)(4) | Percentage<br>of<br>Outstanding<br>Shares After<br>Giving<br>Effect<br>to the<br>Issuance to<br>Lincoln Park<br>(2) | Proceeds<br>from the<br>Sale of<br>Shares to<br>Lincoln<br>Park<br>Under the<br>Purchase<br>Agreement |
|---|--|---|---|
| \$0.25 (3)                              | 4,000,000  | 7.1%  | \$1,000,000   |
| \$0.75                                  | 4,000,000  | 7.1%  | \$3,000,000   |
| \$1.00                                  | 4,000,000  | 7.1%  | \$4,000,000   |
| \$1.50                                  | 4,000,000  | 7.1%  | \$6,000,000   |
| \$1.75                                  | 4,000,000  | 7.1%  | \$7,000,000   |
| \$2.00                                  | 4,000,000  | 7.1%  | \$8,000,000   |

- (1) Excludes the 671,785 shares issued as commitment shares. Although the Purchase Agreement provides that we may sell up to \$10,000,000 in shares of our common stock to Lincoln Park, we are only registering 4,000,000 shares to be purchased thereunder. As a result, we have included in this column only those shares which are registered in this offering.
- (2) The denominator is based on 56,411,075 shares outstanding as of May 14, 2014, including the 671,785 shares issued as commitment shares, and the number of shares set forth in the adjacent column which we would have sold to Lincoln Park. The numerator is based on the number of shares issuable under the Purchase Agreement at the corresponding assumed purchase price set forth in the adjacent column.

- (3) Under the Purchase Agreement, we may not sell any shares to Lincoln Park in the event the purchase price of such shares is below \$0.25.

There are substantial risks to our shareholders as a result of the sale and issuance of common stock to Lincoln Park under the Purchase Agreement. These risks include substantial dilution and declines in our stock price. See “Risk Factors.” Issuances of our common stock to Lincoln Park under the Purchase Agreement will not affect the rights or privileges of our existing shareholders, except that the economic and voting interests of our existing shareholders will be diluted as a result of any such issuance. Although the number of shares of common stock that our existing shareholders own will not decrease, the shares owned by our existing shareholders will represent a smaller percentage of our total outstanding shares after any such issuance to Lincoln Park.

## Representations and Warranties; Indemnification

The Purchase Agreement includes customary representations and warranties by us to Lincoln Park. In addition, we have agreed to customary indemnification of Lincoln Park in connection with the Purchase Agreement.

## Events of Default

Pursuant to the Purchase Agreement, we cannot sell any shares of common stock to Lincoln Park if an event of default has occurred. Lincoln Park does not have the right to terminate the Purchase Agreement upon any of the events of default set forth below. The following events constitute events of default under the Purchase Agreement, all of which are outside the control of Lincoln Park:

the effectiveness of the registration statement, of which this prospectus is a part, lapses for any reason (including, without limitation, the issuance of a stop order), or this prospectus is unavailable for the resale by Lincoln Park of our common stock offered hereby, and such lapse or unavailability continues for a period of ten consecutive business days or for more than an aggregate of thirty business days in any 365-day period;

suspension by our principal market of our common stock from trading for a period of three consecutive business days;

the delisting of our common stock from the OTCQB, provided our common stock is not immediately thereafter trading on the New York Stock Exchange, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market, the NYSE MKT, the NYSE ARCA, the OTC Bulletin Board or the OTCQX (or nationally recognized successor thereto);

the transfer agent's failure for three business days to issue to Lincoln Park shares of our common stock which Lincoln Park is entitled to receive under the Purchase Agreement;

any breach of the representations or warranties or covenants contained in the Purchase Agreement or any related agreements which has a material adverse effect on us, only if breach continues for a period of at least five business days;

any participation in insolvency or bankruptcy proceedings by or against us; or

our common stock is not eligible to be transferred electronically, as DWAC shares.

The Company has the right to terminate the Purchase Agreements at any time, at no cost or penalty. Actual sales of shares of common stock to Lincoln Park will depend on a variety of factors to be determined by the Company from time to time, including (among others) market conditions, the trading price of the common stock and determinations by the Company as to the appropriate sources of funding for the Company and its operations.



## DILUTION

The net tangible book value of our common stock as of December 31, 2013 was \$(58,880), or \$(0.001) per share. Net tangible book value per share represents our total tangible assets less our total tangible liabilities, divided by the number of shares of common stock before giving effect to the conversion of all outstanding shares of common stock upon the completion of this offering.

Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers in this offering and the pro forma net tangible book value per share of our common stock immediately after the completion of this offering. After giving effect to our assumed sale of all issuance and sale of 4,000,000 shares of common stock in this offering at an assumed public offering price of \$0.25 per share (based on the adjusted minimum floor price at which sales may be made), not including the 671,785 shares to be issued to Lincoln Park as a fee for its commitment to purchase shares of our common stock, our as adjusted net tangible book value as of December 31, 2013 would have been approximately \$941,120 or \$0.02 per share of common stock. This represents an immediate increase in net tangible book value of \$0.02 per share to existing stockholders and an immediate dilution in net tangible book value of \$0.02 per share to purchasers of common stock in this offering at the assumed offering price, as illustrated in the following table:

|  |            |
|--|------------|
| Public offering price per share (assumed at adjusted minimum floor price for sales)                  | \$0.25     |
| Net tangible book value per share as of December 31, 2013, before this offering                      | \$(0.001 ) |
| Increase per share attributable to new investors   | \$0.02     |
| Pro forma net tangible book value per share at December 31, 2013 after giving effect to the offering | \$0.02     |
| Dilution per share to new investors  | \$0.02     |

## PLAN OF DISTRIBUTION

The common stock offered by this prospectus is being offered by Lincoln Park, the selling stockholder. The common stock may be sold or distributed from time to time by the selling stockholder directly to one or more purchasers or through brokers, dealers, or underwriters who may act solely as agents at market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices, or at fixed prices, which may be changed. The sale of the common stock offered by this prospectus may be effected in one or more of the following methods:

- ordinary brokers' transactions;
- transactions involving cross or block trades;
- through brokers, dealers, or underwriters who may act solely as agents;
- “at the market” into an existing market for the common stock;
- in other ways not involving market makers or established business markets, including direct sales to purchasers or sales effected through agents;
- in privately negotiated transactions; or
- any combination of the foregoing.

In order to comply with the securities laws of certain states, if applicable, the shares may be sold only through registered or licensed brokers or dealers. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the state or an exemption from the registration or qualification requirement is available and complied with.

Brokers, dealers, underwriters, or agents participating in the distribution of the shares as agents may receive compensation in the form of commissions, discounts, or concessions from the selling shareholder and/or purchasers of the common stock for whom the broker-dealers may act as agent. The compensation paid to a particular broker-dealer may be less than or in excess of customary commissions.

Lincoln Park is an “underwriter” within the meaning of the Securities Act.

Neither we nor Lincoln Park can presently estimate the amount of compensation that any agent will receive. We know of no existing arrangements between Lincoln Park, any other shareholder, broker, dealer, underwriter, or agent relating to the sale or distribution of the shares offered by this prospectus. At the time a particular offer of shares is made, a prospectus supplement, if required, will be distributed that will set forth the names of any agents, underwriters, or dealers and any compensation from the selling shareholder, and any other required information.

We will pay all of the expenses incident to the registration, offering, and sale of the shares to the public other than commissions or discounts of underwriters, broker-dealers, or agents. Any commissions, discounts or other fees payable to brokers-dealers in connection with any sale of the shares of common stock will be borne by Lincoln Park, the purchasers participating in such transaction, or both.

We have also agreed to indemnify Lincoln Park and affiliates and related persons against specified liabilities, including liabilities under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons, we have been advised that in the opinion of the SEC this indemnification is against public policy as expressed in the Securities Act and is therefore, unenforceable.

Lincoln Park and its affiliates have agreed not to engage in any direct or indirect short selling or hedging of our common stock during the term of the Purchase Agreement.

With certain exceptions, Regulation M, promulgated under the Securities Exchange Act of 1934, as amended, precludes the selling shareholder, any affiliated purchasers, and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of the shares offered hereby this prospectus.

We and the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations under it, including, without limitation, Rule 10b-5.

This offering will terminate on the date that all shares offered by this prospectus have been sold by Lincoln Park.

Our common stock is quoted on the OTCQB under the symbol “WARM.”



## Penny Stock Rules

Our shares of common stock are subject to the "penny stock" rules of the Securities Exchange Act of 1934 and various rules under this Act. In general terms, "penny stock" is defined as any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. The rules provide that any equity security is considered to be a penny stock unless that security is registered and traded on a national securities exchange meeting specified criteria set by the SEC, authorized for quotation from the NASDAQ stock market, issued by a registered investment company, and excluded from the definition on the basis of price (at least \$5.00 per share), or based on the issuer's net tangible assets or revenues. In the last case, the issuer's net tangible assets must exceed \$3,000,000 if in continuous operation for at least three years or \$5,000,000 if in operation for less than three years, or the issuer's average revenues for each of the past three years must exceed \$6,000,000.

Trading in shares of penny stock is subject to additional sales practice requirements for broker-dealers who sell penny stocks to persons other than established customers and accredited investors. Accredited investors, in general, include individuals with assets in excess of \$1,000,000 or annual income exceeding \$200,000 (or \$300,000 together with their spouse), and certain institutional investors. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of the security and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the security. Finally, monthly statements must be sent disclosing recent price information for the penny stocks. These rules may restrict the ability of broker-dealers to trade or maintain a market in our common stock, to the extent it is penny stock, and may affect the ability of shareholders to sell their shares.

## DESCRIPTION OF SECURITIES

The following description of our capital stock is only a summary and is qualified in its entirety by the provisions of our articles of incorporation and bylaws, each as amended. You should also refer to our articles of incorporation and bylaws, which have been filed as exhibits to the registration statement of which this prospectus forms a part before you make an investment decision with respect to our shares of common stock.

We are authorized to issue 100,000,000 shares of common stock, par value \$0.001 per share, and 15,000,000 shares of preferred stock, par value \$0.001 per share. As of May 14, 2014, 56,411,075 shares of common stock and 160 shares of preferred stock are issued and outstanding.

### Common Stock

Each holder of shares of our common stock is entitled to one vote for each share held of record on all matters submitted to the vote of stockholders, including the election of directors. The holders of shares of common stock have no preemptive, conversion, subscription or cumulative voting rights. There is no provision in our articles of incorporation or bylaws that would delay, defer or prevent a change in control of our company.

### Preferred Stock

Our Board may issue preferred stock in one or more series without shareholder approval. Our Board may determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our

outstanding voting stock. The rights of holders of our common stock described above, will be subject to, and may be adversely affected by, the rights of any preferred stock that we may designate and issue in the future.

On December 17, 2012, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designations of the Rights, Preferences, Privileges and Restrictions of Series A Preferred Stock (“Certificate of Designation”). The holders of each share of Series A Preferred Stock shall be entitled to be paid, out of the available funds and assets of the Company, and prior and in preference to any payment or distribution of any available funds and assets on any shares of Common Stock, at a liquidation price of \$2,500 per share of the Series A Preferred Stock.

On June 24, 2013, an Amendment to the Certificate of Designation was filed with the Secretary of State of the State of Nevada which effectuated the change (i) to the conversion rate of each share of Series A Preferred Stock from being convertible at the rate of 20,000 shares to 50,000 shares of common stock and (ii) to the voting right of each share of Series A Preferred Stock from 20,000 shares to 50,000 shares of the common stock. There are currently 160 shares of Series A Preferred Stock issued and outstanding, all which are held by Spirit Bear Limited and its assignees

#### INTEREST OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis or had, or is to receive, in connection with the offering, a substantial interest, directly or indirectly, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its affiliates as a promoter, managing or principal underwriter, voting trustee, director, officer or employee.

#### DESCRIPTION OF BUSINESS

##### Corporate History

We were incorporated on July 22, 2002 in the State of Nevada under the name Bibb Corporation. On September 3, 2010, we changed our name to Z3 Enterprises, Inc. and on April 5, 2012, to HPEV, Inc.

On March 29, 2011, we entered into the Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV, Inc. in consideration for the issuance of 22,000,000 shares of common stock. Upon closing of the share exchange on April 15, 2011, HPEV, Inc. became our wholly owned subsidiary. There was a change of control of our company on April 15, 2011 as a result of the issuance of 21,880,000 shares of our common stock to the original shareholders of HPEV, Inc. pursuant to the terms of the Share Exchange Agreement. An additional 120,000 shares were issued during the fourth quarter of 2011 which completed the issuance of 22,000,000 shares of common stock under the terms of the amended Share Exchange Agreement.

As of April 9, 2014, we have 5 patents and 5 patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as ‘thermal’ or ‘heat dispersion technology’) and a parallel vehicle power platform. The Company intends to commercialize our patents by licensing our thermal technologies and applications to electric motor, pump and vehicle component manufacturers; by licensing or selling a mobile electric power system powered by the Company’s proprietary gearing system to commercial vehicle and fleet owners; and by licensing a plug-in hybrid conversion system for heavy duty trucks, buses and tractor trailers to fleet owners and service centers.

## Business Description

We have developed and intend to commercialize dispersion technologies in various product platforms, and have developed and intend to commercialize an electric load assist technology around which we have designed a vehicle retrofit system. In preparation, we have applied for trademarks for one of our technologies and its acronym. The Company currently has two trademarks in the application process: HPEV and TEHPC.

We believe that our proprietary technologies, including our patent portfolio and trade secrets, can help increase the efficiency and affect manufacturing cost structure in several large industries beginning with motor/generator and fleet vehicles.

The markets for products utilizing our technology include consumer, industrial and military markets, both in the U.S. and worldwide. Our initial target markets include those involved in moving materials and moving people, such as:

Motors/Generators,  
Mobile auxiliary power,  
Compressors,  
Turbines (Wind, Micro),  
Bearings,  
Electric Vehicles: rail, off-highway, mining, delivery, refuse,  
Brakes/rotors/calipers,  
Pumps/fans,  
Passenger vehicles: auto, bus, train, aircraft,  
Commercial vehicles: SUV, light truck, tram, bucket truck  
Military: boats, Humvee, truck, aircraft, and  
Marine: boats ranging in size from 30 feet to 120 feet and beyond.

## Our Technologies

Our technologies are divided into three distinct but complementary categories: heat dispersion technology, mobile electric power and electric load assist.

### Heat Dispersion Technology

Heat is an undesirable byproduct of anything that moves, especially motors and generators. Historically, a large percentage of the cost of manufacturing any motor has been in the technology necessary to remove heat during its operation to prevent failure and increase power. Heat can destroy motors, generators and many other types of machinery, and the energy necessary to remove heat can limit output.

Our patented thermal dispersion technology removes heat via composite heat structures and heat pipe architecture. Heat pipes have been utilized for more than 50 years, but we have a proprietary process and design technology that makes our heat pipes usable in many applications that have previously not been effective. The key is that our heat pipes move heat in ANY direction in a system that requires little or no maintenance and can be applied to almost any motor, generator or industrial product. We believe that this allows for more efficient, smaller, and higher output machines, resulting in cooler motors and a longer operating life.

Our patent portfolio covers the application and integration of our heat pipes into various cooling schemes for enhanced heat removal in motors, generators and numerous other industrial applications including marine, aviation and military. We believe that our technologies have the potential to deliver power output increases and cost reductions, depending on the machine type or motor/generator size, as follows:

1. Increase power density of current motor platforms by 20% to 50%,
2. Reduce total product cost by 12.5% to 25%,
3. Increase motor and generator efficiency by 1% to 2%, and
4. Increase motor and generator life.

Recent tests by independent laboratories showed a 200% increase in horsepower capability for a dry pit submersible pump and a 25 to 35% increase in power density for a 650 kVA alternator.

On December 6, 2013, ESSCO Pumps and Controls, a member of the Hydraulic Institute, conducted the tests in accordance with standards set forth by the Institute. The tests examined the tolerances of an industrial electric motor in an extreme situation. The tolerances determine the amount of power that can be driven through pumps run by the motor and are a strong predictor of the maintenance and other service downtime the pump will require. The original pump motor is rated to run, without submersion, for up to 15 minutes before the pump's protective circuits will turn it off to prevent overheating. This heat limitation restricts the output of the motor. The test pump used the same industrial electric motor, except with HPEV thermal dispersion technology incorporated. The result: the test pump ran without submersion for more than two hours at or above full power without reaching critical temperatures that would have caused an automatic shutdown.

On December 13, 2013, Mohler Technology, Inc. of Boonville, Indiana completed tests of an alternator enhanced with HPEV technology. A 650kVA alternator (generator) was run at full load to test its operational limits. The heat produced by generators of that size must be removed or controlled in order for the alternator to operate effectively. Manufacturers' current best practice is to add either a liquid cooling system or an extra large frame around the motor to provide additional surface area to help dissipate the heat. Both practices increase the cost and complexity of the generators.

The alternator tested used HPEV thermal technology with no other cooling of any kind. The results showed a minimum of 25% improvement in power density over the manufacturer's rating for the alternator when operating without water cooling. In fact, the alternator achieved power densities comparable to a liquid-cooled or over-framed one.

The tests confirmed our belief that our heat pipe cooling system equals the effectiveness of a more complex water-cooled system. Extrapolating the results, leads us to believe that simple designs incorporating our thermal technology combined with the increase in potential output will result in lower costs to manufacture by reducing the amount of material needed to produce a product with a specific output.

We also believe that products produced with our technologies have the potential to deliver operational savings as well, including savings from:

- reduced maintenance costs,
- the standardization of multiple platforms down to a single platform,
- the standardization of drawings and data around existing platforms,
- the ability to use standard designs and standard insulation systems versus customization, and
- the ability to integrate and produce on existing production lines with no retooling and no additional or minimum capital investment.





Our revenue model for the heat dispersion technology is to license the technology in exchange for royalties.

The successful testing also represents a significant advance in our product development agreements with manufacturing partners. We anticipate that we will begin to enter into license agreements upon completion of our initial product development, when the product is ready to be manufactured on the licensee's regular production line, after all development and testing to industry or governmental standards have been completed. Field tests are at the discretion of each manufacturer.

We also plan to incorporate heat pipes in vehicle components which generate heat such as brake calipers, resistors and rotors. The new brake components should be incorporated in the initial conversion vehicle.

We currently hope to begin to generate revenues from our heat dispersion technology business in the second quarter of 2014.

#### Mobile Electric Power

The Company has a proprietary gearing system for its ELA which may also be used to power an on-board generator, eliminating the need for some commercial vehicles to tow a mobile generator to a work site. Management believes that there is a need for on-board, continuous generation of up to 200 kilowatts (kW) of power to remote jobsites as well for mobile generation of emergency power in the event of an outage or disaster. We intend to offer an on-board generator installation kit as a stand-alone (Mobile Generator) and as part of a hybrid conversion (Ultimate Work Truck).

Once quality testing and standards certification are completed for the electrical utility industry, we expect to introduce 25kW mobile generators early in the second quarter of 2014 and a 50kW later in 2014.

Our revenue model for the mobile electric power generation is to rely on either direct sales or indirect sales through a network of distributors. We hope to begin to generate revenues from our mobile electric power technology business in the third quarter of 2014.

#### Electric Load Assist Technology

We have also developed proprietary Electric Load Assist ("ELA") technology. The technology is the centerpiece of our vehicle retrofit system (separate and apart from our heat pipe technology and heat dispersion product development partnerships), which also relies on the benefits of heat removal by composite heat structures and heat pipe architecture and is protected by patents and patents-pending.

With ELA, a vehicle engine does not have to work as hard as some of the work that was done by the engine is now performed by an electric motor running in parallel. The vehicle still drives and feels the same, and our ELA controller allows full acceleration and braking control; however, the engine runs much more efficiently and burns significantly less fossil fuel. The ELA controller allows the vehicle operator to determine the amount of load assist during operation, ranging from all-fuel to all-electric. We believe that our ELA system will provide a significant difference and improvement from, and competitive advantage over, current market offerings such as the Toyota Prius. If either the electrical system or the internal combustion engine fails, an ELA vehicle can operate on the remaining system. In current market offerings, if either system fails, the vehicle fails.

We believe our ELA technology is compatible with any manufacturer as well as any power source, including traditional gasoline/diesel engines, compressed natural gas, batteries and fuel cells. We also believe that our technology will have a wide range of marine, aviation, industrial and military applications.

Initially, we plan to implement a simple version of our ELA system technology for on-board mobile auxiliary power which we anticipate will generate revenue from transport companies and other businesses which own and/or manage fleets of Class 2, 3, 4 and 6 or light to medium-duty trucks. Our revenue model for the ELA technology will be to license the technology in exchange for royalties based on fuel savings.

We currently expect to begin to generate revenues from our ELA technology business in the second half of 2014.

## Competition

### Heat Dispersion Technology

Cooling solutions to remove or control heat produced by industrial electric motors, generators and alternators are provided by the manufacturers. Their current best practices are based on technology that's over 50 years old. They either add a liquid cooling system to the motor or build an extra large frame around the motor to provide additional surface area to help dissipate the heat. Both practices increase the cost and complexity of their products.

The Company is not aware of any new alternatives on the market.

### Mobile Electric Power

Other companies use a vehicle's engine to charge on-board batteries which then run the generator when the vehicle is stopped. While this eliminates idling, output tends to be less than 50 kW and lithium-ion batteries typically power the system. The batteries have limited runtimes and a shorter lifespan than acid batteries. In addition, they must be cooled to operate properly. Energy Xtreme, LCC; Crosspoint Solutions, LLC and Bergstrom, Inc. are the leaders in the field.

Two companies dominate belt driven systems: Aura Systems, Inc. and Mobile Electric Power Solutions, Inc. ("MEPS"). Their systems use a vehicle's engine to power a generator and produce electricity whenever the engine is running. The interface to the vehicle is under the hood via a separate belt system. Both are very efficient, capable of delivering the rated power at or near the engine's idle revolutions per minute ("RPM"). According to Aura Systems' 2013 annual report filed on Form 10-K, the Aura Systems system is over 80% efficient at the low RPM range and is approximately 75% efficient at the very high RPM range.. Aura Systems offers an axial-plus style motor and control that outputs up to approximately 16 kW. MEPS uses the alternator to power a belt-driven system that provides up to 15 kW. Both provide clean power to operate sophisticated electronic equipment. MEPS delivers alternating current ("AC") power whereas Aura Systems provides both AC and direct current ("DC").

A variety of engine or transmission-based electrical power take off systems also provide exportable power. They tend to output small amounts like 7 kW of 110/220 volt power.

Management believes that the Company can compete in the mobile electric power market because there is a need for on-board, generators as opposed to trailer-mounted generators towed behind a vehicle. In comparison to the purchase price of new Doosan towable generator, we believe we can provide up to 200 kilowatts (“kW”) of auxiliary mobile power to any location for less than half the production cost of a towable, trailer-mounted generator, which may weigh over 5,000 pounds. We intend to deliver the same power at under 1,000 pounds.

We believe our competition in the mobile generator market will be from well-established companies such as Cummins, Caterpillar, Doosan, WackerNeuson, Multi Quip and Generac. All of them offer towable, trailer-mounted generators. Only Cummins Onan offers an onboard generator and it’s specifically engineered for mobile emergency vehicle use.

Vehicle companies are also working to provide customers and partners with exportable power in conjunction with the development of hybrid vehicles. According to a January 2013 press release from VIA Motors, Inc., the company worked with Pacific Gas and Electric Company, the leading subsidiary of PG&E Corporation, to convert two GM trucks into plug-in hybrids that export 15 kW of power for about \$400,000 and is now working to boost that to 50 kW. VIA Motors plans to produce them commercially with prices in the \$70,000 range according to a January 2012 article in Forbes.com.

#### Electric Load Assist Technology

While the new hybrid electric vehicle industry is intensely competitive and features several multi-national companies such as Ford, GM, Toyota, Volvo and Honda, we believe that the market for hybrid conversions is in its infancy. There are a number of small companies, such as EVDrive, Inc, and Verde Sustainable Energy, Inc., selling do-it-yourself conversion kits for individual vehicles, XL Hybrids, Inc. offers hybrid conversions through aftermarket installers for specific van, delivery and shuttle vehicles, EV Power Systems, Inc. is involved in conversions for fleet vehicles, AMP Holding Inc., is a manufacturer of AMP Electric Vehicles, Wrightspeed Inc. offers replacement electric drive trains for high fuel consumption vehicles and VIA Motors, Inc. is offering conversions of a GM pick-up, van and SUV. Echo Automotive, Inc., a company with a similar business plan, offers a technology based on a series platform. XL Hybrids The technology features a bolt-on retrofit kit that attaches to the drive train and adds lithium ion batteries and a controller. To our knowledge, no other company is involved in developing and commercializing ELA technology in a parallel platform or an aftermarket commercial platform.

ALTe Powertrain Technologies and Eaton Corporation are converting commercial vehicles by replacing the entire power-train including the engine, transmission, fuel tank and drive shaft. We intend to perform conversions by adding standard components along with a patented thermal-engineered traction motor and the patent-pending electric load assist.

We aim to compete in the fleet markets for currently-owned vehicles.

We believe the primary competitive factors in our markets include, but are not limited to:

- technological innovation;
- product quality and safety;
- product performance; and
- price.

To a limited extent, we will compete against new hybrid vehicles if a fleet owner has a vehicle that is near the end of its useful life elects to purchase a new hybrid vehicle rather than upgrade with a conversion to a plug-in hybrid. However, it may still be cost effective for the fleet owner to purchase a new vehicle and then add a conversion depending on the added cost for a new hybrid versus the conversion cost.

Some of our competitors and potential competitors may have greater resources than we do and may be able to respond more quickly and efficiently to changes in the marketplace whether as a result technological, economic or customer requirements or preferences.

Some of our potential competitors are significantly larger than we are, have been in business much longer than we have, and have significantly more resources at their disposal. That enhances their ability to obtain top engineering talent as well as sales representatives with strong industry ties. Plus, their greater market clout could effectively overwhelm our promotional and marketing efforts.

### Equipment

As a Company that intends to commercialize or license its proprietary technology for others to install, manufacture and/or distribute, its equipment needs are project specific and temporary. We do not intend to purchase any production equipment to implement our business operations, but instead we will rent, lease or outsource as needed.

### Manufacturing

We do not plan to manufacture in-house. The Company plans to outsource manufacture of its on-board mobile auxiliary power kit. For our thermal technologies, the Company plans to rely on product development agreements with manufacturers who will then pay a license or royalty per unit. The agreements will delineate the respective intellectual property owned by both companies, describe the goal of the testing to verify the savings and value to a particular company, the equipment to be modified, the criteria that constitute successful testing, how and where the tests will be conducted and the next steps to be taken in the event of successful testing. For plug-in, hybrid conversions, the Company plans to use off-the-shelf and made-to-order equipment combined with proprietary software owned by the Company and created specifically for use on our parallel platform. To that end, the Company has sourced and priced electric motors, generators and other components as well as software programming. We hope that installations will be performed by licensees of our ELA technology, but currently we have no license agreements.

### Suppliers

Our primary supplier for mobile power will be Inverom Corporation. They will supply the software to integrate the vehicle's controls with our mobile generators. For castings, the initial supplier will be GearTech Heavy Duty, LLC. Production level quantities will be handled by Morse, a brand manufactured by Emerson Industrial Automation, a division of Emerson Electric Company. The generators will be supplied by Emerson Electric Company with a backup of General Electric Company. The balance of the components will be obtained from a number of other suppliers.

For the thermal technology applications in electric motors, Thermacore, Inc. will supply the heat pipes and mechanical structure which combine to make the heat exchangers. We have an agreement with Thermacore to combine our technology with Thermacore technology in the creation of heat exchangers.

For dry pit submersibles, the wound stator and the rotor-shaft will be purchased from Nidec Motor Corporation or General Electric Company. The castings will be purchased from the Quality Castings Company, located in Orville, Ohio. These components will then be assembled and tested by Consulting Point, Inc. located in Brownsville, Texas.

### Intellectual Property

Our success depends in part on our ability to protect our technology and intellectual property. To accomplish this, we rely on a combination of patents, patent applications, trade secrets, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights. Currently we have no licenses or contractual rights in place to protect our technology and intellectual property.

As of May 20, 2014, we own five patents and have five patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications and a parallel vehicle platform. Our success will likely depend upon our ability to preserve our proprietary technologies and operate without infringing the proprietary rights of other parties. However, we may also rely on certain proprietary technologies and know-how that are not patentable.

We strive to protect such proprietary information, in part, by the use of confidentiality agreements with our employees, consultants and contractors. The Company has a policy of not disclosing its patent applications in order to protect the underlying technology.

The following table sets forth the patents we own or license which we believe support our technology.

| Number<br>Patent | Country | Filing<br>Date      | Issue<br>Date      | Expiration<br>Date | Title   |
|------------------|---------|---------------------|--------------------|--------------------|---|
| 8,283,818<br>B2  | US      | February 4,<br>2010 | October 9,<br>2012 | October 9,<br>2032 | Electric Motor with Heat Pipes                  |
| 8,134,260<br>B2  | US      | July 31,<br>2009    | March 13,<br>2012  | March 13,<br>2032  | Electric Motor with Heat Pipes                  |
| 8,148,858<br>B2  | US      | August 6,<br>2009   | April 3,<br>2012   | April 3,<br>2032   | Totally Enclosed Heat Pipe Cooled<br>Motor      |
| 8,198,770<br>B2  | US      | April 3,<br>2009    | June 12,<br>2012   | June 12,<br>2032   | Heat Pipe Bearing Cooler Systems and<br>Methods |
| 7,569,955<br>B2  | US      | June 19,<br>2007    | August 4,<br>2009  | August 4,<br>2029  | Electric Motor with Heat Pipes                  |

### Government and Industry Regulation

We intend to conduct business worldwide, and therefore we must comply within the confines of local, state, federal, and international regulations, both in operations and for our products.

As a company, we do not plan to manufacture any of our products. Therefore the government regulations we will be subject to will be limited to storage and involve rotating the shafts of electric motors on a regular basis.

Applicable laws and regulations include those governing, among other things noise and employee safety, as well as the handling, storage and transportation of materials and products. In addition, some of our products are subject to various laws and regulations relating to, among other things, emissions and fuel requirements.

Accordingly, we may be required, or may voluntarily determine to obtain approval of our products from one or more of the organizations engaged in regulating product or environmental safety. These approvals could require significant time and resources from our technical staff and, if redesign were necessary, could result in a delay in the introduction of our products in various markets and applications.

Although we believe that our operations and products are in material compliance with current applicable regulations noted within this section, there can be no assurance that changes in such laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. New regulations could also require our licensees to redesign their products which could cause us to redesign our technologies which, consequently, could affect market growth for our products.

As our thermal technologies are incorporated in existing motors, generators and other manufactured products that are already subject to regulation. The regulatory burden will fall on the original equipment manufacturers that license our technology.

In addition to an existing generator incorporating HPEV thermal technology, the stand-alone version of our auxiliary mobile power system will include a specialized gearing package which connects the drive train to a generator that will be added on-board. We believe that the vehicle and drive train will operate normally in accordance with manufacturer's specifications and that no regulations will be violated or exceeded as well. Nonetheless, in some markets, the Company will have to certify that it meets federal, state or local noise and emission regulations.

The most significant regulatory burden the Company will face will be upon our hybrid conversion systems. All hybrid conversions must comply with Environmental Protection Agency emission standards.

Any change to the original configuration of an EPA certified vehicle, including alternative fuel conversion, may be a potential violation of the Clean Air Act prohibition against tampering. Exemption from the tampering prohibition may be available by demonstrating that emission controls in a converted vehicle will continue to function properly and that pollution will not increase as a result of conversion.

Our products have been designed to comply with EPA emission standards and we believe they will comply with future requirements including the new fuel efficiency and greenhouse gas emission standards set to take effect in 2016.

The Department of Transportation, National Highway Traffic Safety Administration (NHTSA) is charged with writing and enforcing safety and fuel economy standards for motor vehicles through their Federal Motor Vehicle Safety Standards. These standards require manufacturers to design their electrically powered vehicles so that, in the event of a crash, the electrical energy storage, conversion, and traction systems are either electrically isolated from the vehicle's chassis or their voltage is below specified levels considered safe from electric shock hazards. Our products will be designed to meet or exceed these requirements.

The Company intends to add an electric load assist on a parallel platform to motor vehicles. No original vehicle parts will be significantly modified in the conversion process. There will be some additional parts (motor, drive, battery and sensors and controls) added, but these parts will not change how the vehicle operates in any way. Although we will be adding power directly to the rear wheels, the rest of the drive train will operate according to the manufacturer's specifications. Therefore, we believe that the original warranty will remain in effect and we do not believe that the

conversion will violate the Magnuson-Moss Act.

The Magnuson-Moss Warranty Act is a federal law that protects consumers by barring a vehicle manufacturer from voiding the warranty on a vehicle due to an aftermarket part unless the manufacturer can prove that the aftermarket part caused or contributed to the failure in the vehicle.

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All of our other components (motor, drive, batteries, controller/sensors) will be warranted by their respective manufacturers.

In addition, the total weight of the additional components should remain within the vehicle's gross vehicle weight rating. As a result, we believe that our conversions will be in compliance with federal and state transportation regulations.

While we do not create and market our products around government subsidies and tax incentives, there are many state and federal subsidies which our products would be eligible for. For example, in Colorado, consumers can qualify for up to \$7,600 in tax credits for plug-in hybrid electric vehicle conversions. There are a number of other states that offer a variety of incentives for such conversions.

If we fulfill all elements of our business plan, we will have to prepare for, understand and ultimately meet emerging product environmental regulations around the world. Our products will have to comply with the current emission standards that went into effect in the European Union last year as well as the standards in other international markets, including Japan, Mexico, Australia, Brazil, Russia, India and China that are becoming more stringent.

Our ability to comply and to help licensees comply with these and future fuel standards is an essential element in establishing a leadership position in regulated markets. We have made, and will continue to make, significant capital and research expenditures to comply with these standards. Our failure to comply with these standards could result in adverse effects on our future financial results.

#### Other Environmental Statutes and Regulations

We believe we are in compliance in all material respects with laws and regulations applicable to operations.

#### Research and Development

During fiscal 2012 and 2013, we incurred research and development costs of \$272,717 and \$486,160, respectively. Such costs were not borne directly by customers.

#### Employees

As of May 20, 2014, we had four full time employees and no part time employees. We hope to hire additional employees, on an as-needed basis, subject to sufficient funding, as products and services are developed.

#### DESCRIPTION OF PROPERTY

The Company rents a virtual office which it uses as its corporate headquarters for a monthly rent of \$300. The office is located at 8875 Hidden River Parkway, Suite 300, Tampa, Florida 33637. We believe that currently this space is adequate.

## LEGAL PROCEEDINGS

On September 18, 2013, separate and distinct from the Lawsuit discussed below, the Securities and Exchange Commission served the Company with a subpoena entitled In the Matter of HPEV, Inc. The subpoena requested documents relating to several matters, including Spirit Bear, Robert Olins and all of their respective affiliates. Although the company has not heard anything further concerning the investigation, the Company continues to comply with the subpoena, providing documents in its possession to the SEC on a rolling basis.

On August 16, 2013, the Company received a Demand for Documents and Demand to Cease and Assist from Nevada counsel representing Spirit Bear and Jay Palmer, a former director and one of the three directors of the Company who was appointed by Spirit Bear. Such notice required the Company to provide Mr. Palmer all books and records regarding all equity or debt issued by the Company since January 1, 2013 and an accounting of all compensation disbursed to Company executive officers since such date. Spirit Bear contends that management of the Company issued equity or debt without authority, and established compensation levels for the Company's officers and paid salaries to its officers in violation of its agreements with Spirit Bear and the Company's public filings.

On August 27, 2013, the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, and the two other former directors and Spirit Bear Board appointees, Carrie Dwyer and Donica Holt (Case 2:13-cv-01548) (the "Lawsuit") seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and that the defendants are bound by the Settlement Agreement, dated April 12, 2013. The defendants have indicated that they will seek indemnification from the Company as a result of the Company initiating the Lawsuit. On October 9, 2013, the Company filed a First Amended Complaint which dismissed, without prejudice, Mr. Palmer, Mrs. Dwyer and Holt from the Lawsuit. On October 28, 2013, Spirit Bear responded to the Company's First Amended Complaint and asserted derivative third-party claims in the Lawsuit on behalf of HPEV ("Third Party Lawsuit") against Timothy Hassett, Theodore Banzhaf, Quentin Ponder, Judson Bibb and Mark Hodowanec ("Third Party Defendants").

Spirit Bear contests the validity of the Company issuing common stock in connection with the capital raises described herein commencing on May 17, 2013, as well as the compensation taken or accrued by the Company's management pursuant to the February 20, 2013 resolutions passed by the Board of Directors, consisting at that time of Messrs. Hassett, Ponder and Bibb. Such disputes are currently pending in the Lawsuit.

On September 16, 2013, Jay Palmer brought an emergency petition for a writ ordering the Company to allow him to inspect the books and records of the Company. On October 1, 2013 the court granted Mr. Palmer the right to inspect the books and records regarding (a) all equity or debt issued by Company management since January 1, 2013 and (b) all compensation disbursed to the Company's executive officers since January 1, 2013, with an accounting of disbursements. On October 16, 2013, the Company received a letter from counsel to Spirit Bear identifying twenty five (25) categories of documents to be produced for Mr. Palmer's review. Company's counsel responded to this letter on November 8, 2013, and has yet to hear any response in connection with Mr. Palmer's emergency petition and no inspection of books and records has occurred or is currently scheduled.

On October 15, 2013, the Company filed an Emergency Motion for Partial Summary Judgment on its claim for Declaratory Relief in the Lawsuit in an effort to streamline the litigation as delay could have a negative impact on the business, including meeting contractual milestones by December 14, 2013. In the motion, the Company sought a declaration that the resolutions are valid, the Company's capital raises are authorized and the settlement agreement signed with Spirit Bear on April 14, 2013 is valid and enforceable. Spirit Bear opposed the Company's motion for Partial Summary Judgment. Among other things, Defendant Spirit Bear objected to the Company's designation of its Motion as a purported "emergency" because it improperly denied Spirit Bear the opportunity to respond to the Company's amended complaint, conduct discovery and investigate the Company's claims. The Motion has been fully

briefed and is pending a decision from the Court.

On January 22, 2014 Spirit Bear's counsel filed a motion to withdraw from representing Spirit Bear in the Lawsuit and Third Party Lawsuit. That Motion was granted on February 11, 2014. Spirit Bear was granted fourteen days to retain new counsel. That deadline was later extended by the Court. On March 13, 2014, new counsel for Spirit Bear filed a Notice of Appearance with the Court.

Also, on February 7, 2014, the Clerk of the Court filed a Notice that Spirit Bear's Third Party Lawsuit would be dismissed on March 9, 2014 unless Spirit Bear filed Proof of Service of their Summons and Complaint upon Third Party Defendants by that date. Spirit Bear's time for service was later extended to March 24, 2014. The Company believes that service of all the Third Party Defendants except Theodore Banzhaf occurred prior to March 24, 2014 and Spirit Bear has sought additional time to serve Mr. Banzhaf.

On April 7, 2014, the Third Party Defendants, except for Mr. Banzhaf, filed a Motion to Dismiss the Third Party Lawsuit. Among other things, they claim the Court lacks personal jurisdiction over them and that Spirit Bear lacks standing to proceed with a derivative lawsuit. Additionally, Third Party Defendant Mark Hodowanec seeks dismissal of the sole claim made against him based upon the failure of the Third Party Lawsuit to state a claim against him upon which relief may be granted. Spirit Bear opposed the Motion to Dismiss. The matter is fully briefed and is pending a decision from the Court. Also on April 7, 2014, Spirit Bear filed a Motion for Preliminary Injunction against the Company seeking to enjoin the Company from allegedly violating the registration rights agreement entered into in conjunction with the Securities Purchase Agreement dated December 12, 2012 between the Company and Spirit Bear. The Company has opposed the Motion for Preliminary Injunction. The matter is fully briefed and is pending a decision from the Court.

On May 5, 2014, Spirit Bear filed a Motion for Leave to Amend its Answer to First Amended Complaint and Verified Derivative Counter & Third Party Claim. The Company's litigation counsel is assessing the Motion and proposed amendment.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the SEC.

Because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. The following discussion and analysis of financial condition and results of operations of the Company is based upon, and should be read in conjunction with, the audited financial statements and related notes elsewhere in this prospectus.

We qualify as an "emerging growth company" under the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
-

submit certain executive compensation matters to shareholder advisory votes, such as “say-on-pay” and “say-on-frequency;” and

- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO’s compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

#### Plan of Operation

We have not generated any revenues to date. We currently expect to begin to generate revenues in the second quarter of 2014 and anticipate that we will be cash flow positive in the first quarter of 2015.

We have developed and intend to commercialize thermal dispersion technologies in various product platforms, a parallel power input gearbox around which we have designed a mobile generator system and an electric load assist technology around which we have designed a vehicle retrofit system. In preparation, we have applied for trademarks for some of our technologies and their acronyms including ‘Totally Enclosed Heat Pipe Cooled’, ‘TEHPC’, ‘Electric Load Assist’, ‘ELA’, ‘Mobile Generator’ and ‘MG’.

Notwithstanding the going concern opinion of our independent public auditors, as of the filing date of this report management believes that it has adequate funding to ensure completion of the initial phases of its business plan, which is to license its thermal technologies and applications; to license or sell a mobile electric power system powered by the Company’s proprietary gearing system; and to license its submersible motor dry pit technologies and/or to bring to market its technologies and applications through key distribution partners. The Company believes that it has sufficient funds for its planned operations in the next 12 months, including without limitation, funding the litigation it commenced against Spirit Bear Limited.

We believe that our proprietary technologies, including our patent portfolio and trade secrets, can help increase the efficiency and change the manufacturing cost structure in several large industries beginning with fleet vehicles and the motor/generator industries.

The markets for products utilizing our technology include consumer, industrial and military markets, both in the U.S. and worldwide. Our technologies are divided into three distinct but complementary categories: heat dispersion technology, mobile electric power and electric load assist technology.

#### Going Concern

As a result of our financial condition, we have received a report from our independent registered public accounting firm for our financial statements for the period from March 24, 2011 (Inception) to December 31, 2013 and the years ended December 31, 2012 and 2013 that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. In order to continue as a going concern, we must effectively use the funds we now have to begin to generate revenue from our three product lines, so that we can fund our operations from our sales and licensing. If we are not able to do this, we may not be able to continue as an operating company.



## Results of Operations

Fiscal Year Ended December 31, 2013 compared to December 31 2012

## Revenues

We generated no revenues for the fiscal years ended December 31, 2013 and December 31, 2012.

## Expenses

Operating expenses for the fiscal year ended December 31, 2013 were \$2,875,208 as compared to operating expenses of \$52,311 for the fiscal year ended December 31, 2012.

Operating expenses for the fiscal year ended December 31, 2013 consisted primarily of professional fees of \$491,643, consulting fees of \$1,472,444 and research and development of \$486,160 and general and administrative expenses of \$395,476, as compared to professional fees of \$447,139, consulting fees of \$1,902,392 and research and development of \$242,717 and general and administrative expenses of \$110,063 in the year ending December 31, 2012. The increase in operating expenses for the year ended December 31, 2013 as compared to the year ended December 31, 2012 was mainly due to increased net equity based compensation to consultants and general and administrative expenses incurred as result of increased activity to further develop the Company's technologies. The Company incurred \$844,126 in equity based compensation expense to consultants in the year ended December 31, 2013 as compared to a net equity compensation to consultants and shareholders of \$(1,022,090) for the year ended December 31, 2012.

## Net Loss

For the fiscal year ended December 31, 2013, the Company incurred a net loss of \$3,037,594 as compared to a net loss of \$696,357 for the fiscal year ended December 31, 2012 the difference was mainly a result of the reversal of \$2,650,000 of director compensation to Judson Bibb which was paid from shares contributed by PPEG in the year ended December 31, 2011.

Three Months Ended March 31, 2014 compared to three months ended March 31, 2013

|                              | Three months ended |              | Change        | %      |
|------------------------------|--------------------|--------------|---------------|--------|
|                              | 2014               | 2013         |               |        |
| Revenues                     | \$ -               | \$ -         | N/A           | N/A    |
| Operating expenses           |                    |              |               |        |
| Payroll and related expenses | \$ 197,511         | \$ -         | \$ 197,511    | N/A    |
| Consulting                   | 6,502,145          | 427,003      | 6,075,142     | 1,423% |
| Professional fees            | 103,898            | 47,516       | 56,382        | 119%   |
| Research and development     | 176,074            | 2,000        | 174,074       | 8,704% |
| General and administrative   | 156,259            | 52,010       | 104,249       | 200%   |
| Equity-based compensation    | 7,950,000          | -            | 7,950,000     | N/A    |
| Total operating expenses     | \$ 15,085,887      | \$ 528,529   | \$ 14,557,258 | 2,754% |
| Other income and (expense)   | \$ (7,839)         | \$ 19,475    | (27,314)      | (140)% |
| Net loss                     | \$ (15,093,726)    | \$ (509,054) | (14,584,672)  | 2,865% |





## Revenues

During the three months ended March 31, 2014 and 2013, and since inception, we have not generated any revenues.

## Operating Expenses

Operating expenses have increased during the three months ended March 31, 2014 compared to March 31, 2013, due primarily to increased efforts and expenditures associated with raising capital, bringing our technology to the point of commercialization, and positioning ourselves to generate revenue. The most significant increase was for equity-based compensation to our key management members, and common stock warrants issued to individuals who assisted with our capital raises and provided other consulting services.

## Other Income and Expense

The increase in other expense related to our debt structure, as we had a gain on debt settlement during the three months ended March 31, 2013, while we incurred interest expense during the three months ended March 31, 2014.

## Net Loss

Since we are a development stage company and have incurred losses since inception, we have not recorded any income tax expense or benefit. Accordingly, our net loss is driven by our operating and other expenses.

## Liquidity and Capital Resources

We have historically met our liquidity and capital requirements primarily through the public sale and private placement of equity securities and debt financing. This includes settling expenses and debt in exchange for warrants in our common stock. At March 31, 2014, we had cash and cash equivalents of \$2,519,665.

As a result of the Purchase Agreement with Lincoln Park executed on February 19, 2014, the Company has the right to sell to Lincoln Park up to \$10,000,000 in shares of its common stock, subject to certain limitations, over a 36-month period commencing on the date that a registration statement which the Company agreed to file with the SEC is declared effective. The Company hopes that once the registration statement is declared effective, having the ability to sell shares to Lincoln Park will be sufficient for its capital needs for an extended period.

During the year ended December 31, 2013, the Company had working capital deficit of \$58,880. Cash outflow from operating activities was \$1,728,057. The majority of which consisted of professional fees, payments to consultants and research and development. Cash outflow from investing activities was \$25,115 consisting of legal fees incurred for patents assigned to us. Cash inflow from financing activities of \$2,036,000 consisted of \$900 in proceeds from notes payable from a related party and \$2,047,200 from issuances of our common stock offset by \$12,100 in payments on notes payable from a related party.

We had working capital of \$1,978,795 at March 31, 2014. The increase in working capital from December 31, 2013 was due primarily to sales of common and preferred stock.

We have an accumulated deficit since inception of \$8,858,166 and our auditors have expressed substantial doubt about our ability to continue as a going concern unless we are able to generate revenues.

The following table provides selected financial data about our Company for the year ended December 31, 2013

| Balance Sheet Data:  | 12/31/2013 |
|----------------------|------------|
| Cash in bank         | \$ 477,549 |
| Total assets         | \$ 576,246 |
| Total liabilities    | \$ 536,429 |
| Stockholders' equity | \$ 39,817  |

We are in the process of creating our initial commercialization of our plug in hybrid conversion system, our mobile generator system and incorporating heat pipe technology in industrial electric motors and pumps. There is no guarantee we will be successful in commercializing our products and executing our business plan.

#### Sources and Uses of Cash

##### Operations

Our net cash used by operating activities for the year ended December 31, 2013 was \$(1,728,057) which consisted primarily of payments to consultants, stock issued for services, warrants issued for services and amortization of financing costs. For the year ended December 31, 2012, our net cash used by operating activities was \$(670,622) which consisted primarily of stock issued for services, amortization of financing costs, warrants issued for loan penalty and warrants issued for interest.

Our net cash used by investing activities for the year ended December 31, 2013 was \$(25,115) which consisted of payments to patent attorneys for filings. For the year ended December 31, 2012, our net cash used by invested activities was \$(29,018) which consisted of payments to patent attorneys for filings.

##### Financing

Our net cash provided by financing activities for the year ended December 31, 2013 was \$2,036,000, which consisted primarily of proceeds from the sale of equity securities to 23 accredited investors. Our net cash provided by financing activities for the year ended December 31, 2012 was \$816,000 which consisted primarily of proceeds from notes payable and the sale of preferred stock to an accredited investor.

#### Cash Flows

Our cash flows from operating, investing and financing activities were as follows:

|   | Three months ended<br>March 31, |              |
|---|---------------------------------|--------------|
|   | 2014                            | 2013         |
| Net cash used in operating activities               | \$ (759,300)                    | \$ (161,650) |
| Net cash used in investing activities               | (15,236)                        | (14,382)     |
| Net cash provided by (used in) financing activities | 2,816,652                       | (11,200)     |

Net cash used in operating activities increased primarily due to increased efforts and expenditures associated with bringing our technology to the point of commercialization. Our investing activity relates to the development of patents, and has remained steady since inception. Our improvement in cash provided by financing activities reflects our successful efforts to raise capital.

The Company's capital requirements for the next 12 months will consist of expenses in four major areas including salaries and consulting, research and development, legal and accounting, and administrative costs. The anticipated expenses should total \$2.3 million. The Company's cash on hand as of May 19, 2014 was \$2,500,860.

Management believes the Company's funds are sufficient to provide for its projected needs for operations for the next 12 months. However, the Company may decide to sell additional equity or increase its borrowings in order to fund product development or for other purposes.

#### Off Balance Sheet Arrangements

We currently have no off-sheet balance arrangements.

#### Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Critical accounting policies are those that require the application of management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Actual results may differ from these estimates.

We define critical accounting policies as those that are reflective of significant judgments and uncertainties and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Company (HPEV, Inc.) and its wholly owned subsidiary, HPEV, Inc., a corporation incorporated in Delaware on March 24, 2011. All significant inter-company transactions and balances have been eliminated.

Year end – The Company's year end is December 31.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes – The Company accounts for its income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Management believes the Company will have a net operating loss carryover to be used for future years. Such losses may not be fully deductible due to the significant amounts of non-cash service costs as well as restrictions on carryovers resulting from reverse mergers. The Company has established a valuation allowance for the full tax benefit of the applicable operating loss carryovers.

Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

Net loss per common share – The Company computes net loss per share in accordance with the Earning per Share Topic of the FASB ASC 260. Under the provisions of ASC, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. For the period from March 24, 2011 (Date of Inception) through December 31, 2013, five options (issued April 2, 2012 for 1,000,000 shares each at such time as our common stock trades at \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00 for 20 consecutive days) and 14,896,336 warrants were outstanding. Additionally, we have 160 preferred shares outstanding of which can be converted to 50,000 shares of common stock for total of 9,950,000 common stock if converted.

Stock Based Compensation – Stock based compensation is accounted for using the Equity-Based Payments to Employees Topic of the FASB ASC 718, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for services. It also addresses transactions in which an entity incurs liabilities in exchange for services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company determines the value of stock issued at the date of grant. The Company also determines at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

Stock based compensation for non-employees is accounted for using the Stock Based Compensation Topic of the FASB ASC 505. The Company uses the fair value method for equity instruments granted to non-employees and will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of when performance commitment is established or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Financial Instruments – The carrying amounts reflected in the Company's consolidated balance sheets for cash and accounts payable approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

Concentration of risk – A significant amount of the Company's assets and resources were dependent on the financial support of Phoenix Productions and Entertainment Group. The Company has successfully pursued other avenues of financial support.

Revenue recognition – Revenues are recognized in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition in Financial Statements". The Company recognizes revenues when all of the following criteria are met: (1) there is persuasive evidence that an arrangement exists, (2) delivery of goods has occurred, (3) the sales price is fixed or determinable, and (4) collection is reasonably assured.

Advertising costs – The Company recorded \$27,664 advertising and promotion costs from inception (March 24, 2011) to December 31, 2013.

Research and development – Costs of research and development are expensed in the period in which they are incurred.

#### Recent Accounting Pronouncements

The Company has evaluated the recent accounting pronouncements through ASU 2014-05 and believes that none of them will have a material effect on the Company's financial statements.





## MARKET PRICE FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## Market Information

Our common stock was quoted on the OTC Bulletin Board from July 30, 2009 to March 26, 2010 under the symbol BIBB. Prior to September 2010, there was no active market for our common stock. Our common stock is currently quoted on the OTCQB under the trading symbol WARM.

The following table sets forth the high and low sales prices as reported on the OTCQB. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

| Quarter Ended | High    | Low     |
|---------------|---------|---------|
| 31-Mar-12     | \$ 1.15 | \$ 0.33 |
| 30-Jun-12     | \$ 1.50 | \$ 0.35 |
| 30-Sep-12     | \$ 0.45 | \$ 0.20 |
| 31-Dec-12     | \$ 0.35 | \$ 0.17 |
| 31-Mar-13     | \$ 0.97 | \$ 0.84 |
| 30-Jun-13     | \$ 0.52 | \$ 0.52 |
| 30-Sep-13     | \$ 0.42 | \$ 0.35 |
| 31-Dec-13     | \$ 0.50 | \$ 0.46 |
| 31-Mar-14     | \$ 2.00 | \$ 0.39 |

The last reported sales price of our common stock on the OTCQB on May 19, 2014, was \$ 1.00.

As of May 19, 2014, there were approximately 167 stockholders of record of our common stock.

## Dividend Policy

The Company has never paid dividends on its common stock and does not anticipate that it will pay dividends in the foreseeable future. It intends to use any future earnings for the expansion of its business. Any future determination of applicable dividends will be made at the discretion of the board of directors and will depend on the results of operations, financial condition, capital requirements and other factors deemed relevant.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding our equity compensation plans as of December 31, 2013:

## Equity Compensation Plan Information

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|--|---|---|--|
| Equity compensation plans approved by security holders     | 0   | 0   | 0  |
| Equity compensation plans not approved by security holders | 5,000,000 (1)   | \$ 5.50   | 0  |

- (1) Represents five options to purchase 1,000,000 shares each at such time as our common stock trades at \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00 for 20 consecutive days or upon a change of control of the Company, while Mr. Banzhaf serves as President and for one year following Mr. Banzhaf's termination without cause. Exercise prices of these options will be equal to the closing price of the Company's stock on the date of vesting.

## DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

## Executive officers and directors of the Company

The following table sets forth the names, ages and positions of our current board members and executive officers:

| Name             | Age | Position(s)                                       |
|------------------|-----|---|
| Timothy Hassett  | 52  | Chairman and Chief Executive Officer and Director |
| Quentin Ponder   | 84  | Chief Financial Officer and Director              |
| Judson Bibb      | 57  | Vice President, Secretary and Director            |
| Theodore Banzhaf | 49  | President   |
| Mark Hodowanec   | 49  | Chief Technical Officer                           |

Our directors are elected for a term of one year and serve until such director's successor is duly elected and qualified. Each executive officer serves at the pleasure of the Board.

The Company has no nominating, audit or compensation committees at this time.

## Background Information

The following summarizes the occupational and business experience of our officers and directors.

Timothy Hassett is a co-founder of the Company and has been its Chairman since its inception and Chief Executive Officer since April 5, 2012. Mr. Hassett began his career as a marketing and business manager, for Rockwell Automation Incorporated's Motor Special Products division from 1990 to 1995 where he launched new product platforms and developed and implemented global distribution initiatives and channels. Mr. Hassett worked at General Electric from January 1996 to February 1998, as a general manager of Distribution Services in the Industrial Systems Division and from February 1998 to March 2000, in the Electric Motors Unit of the Industrial Systems Division where he restructured the unit, consolidated product lines and grew the business. From March 2000 to August 2003, he served as President of Hawk Motors and Rotors, a division of Hawk Corporation, a brake manufacturer, where he restructured the company. From August 2003 to October 2005, Mr. Hassett served as Vice President and General Manager of Wavecrest Laboratories, a propulsion systems and controls start-up, where he led the development and launch of four new product platforms. From June 2006 to October 2010, Mr. Hassett served as President and Managing Director of LEMO USA, a Swiss-based connector company, where he restructured the company, helped contain costs and improved operating margins and business. From December 2010 to October 2011, Mr. Hassett served as President of Cavometrix, a connector company serving the medical, energy and alternative energy industries. Mr. Hassett has a BS in Mechanical Engineering from Cleveland State University and a BS in Physics from Youngstown State University. Mr. Hassett's patents and patents pending and his extensive experience and professional contacts in the electric motor industry led to the decision to appoint him to the Board.

Quentin Ponder has served as President from October 20, 2011 until April 5, 2012, Secretary from October 20, 2011 until November 11, 2011 and Treasurer of the Company since October 20, 2011. On April 5, 2012, Mr. Ponder was appointed Chief Financial Officer and Vice Chairman. Mr. Ponder is a seasoned executive with over 40 years of management experience. From November 1962 to July 1967, Mr. Ponder served as Senior Manufacturing Engineer at General Electric where he worked in the development of a flow manufacturing system. From July 1980 to June 1985, he was President of Franklin Electric, Inc., an electric motor company, where he restructured the company which became a global leader in submersible motors for water wells. From July 1985 to March 1990, Mr. Ponder was President of Baldor Electric, Inc., an electric motor company, as President where he restructured the company. From April 1990 to May 1997, Mr. Ponder worked for Lincoln Electric, Inc., as a consultant. From May 1990 to the present, Mr. Ponder has worked as an independent management consultant. Mr. Ponder serves as a director and is a 33.3% owner of Reliable Electric Motor Company, Inc., an electric motor importer. Mr. Ponder is the sole owner and a director of Summit Management Consulting, Inc. and Capital Alternatives, Inc., a semi-trailer leasing company. Mr. Ponder earned a Ph.D. from Columbia University in general management, accounting, and economics. Mr. Ponder's extensive experience in the electric motor industry led to the decision to appoint him to the Board.

Judson W. Bibb has been a director of the Company since April 15, 2011. Mr. Bibb was appointed Secretary on November 11, 2011 and Vice President on April 5, 2012. Since 1983, Mr. Bibb has been a self-employed freelance multi-media producer. His services include: producer, writer, director, cinematographer, videographer, still photographer, audio and video editor, voiceover talent, marketer, ad designer and Internet search engine optimizer. Over the past five years, he has worked as a writer and director for Image Alliance Inc., writing and producing segments for KPMG, T. Rowe Price, Agstar Financial Services, Briggs & Stratton, Catapillar, Georgia-Pacific, Lowes, Celebrity Cruises, Alaska Air, Pepsico, Hewlett-Packard, Bayer, Caremark, Wellpoint and T-Mobile. Mr. Bibb graduated cum laude from the University of South Florida with a B.A. in mass communications-film. Mr. Bibb's broad background and wide variety of resources, including experience in marketing and public relations and business experience in automotive, trucking, electronics, retail, direct response and the Internet led to the decision to appoint him to the Board.



Theodore Banzhaf has been President of the Company since April 5, 2012. Mr. Banzhaf has more than twenty years' experience working with growing public and private companies in all facets of finance, growth strategies and management. From January 2007 through July 2009, Mr. Banzhaf served as President of Pink Boxers Corporation, a clothing company dedicated to raising money for breast cancer in honor of his widow who passed away from the disease in early 2007. From April 2009 to March 2012, Mr. Banzhaf served as President of Applied BioFuels Corporation, a privately held developer of biofuel production facilities, and from 2003 to 2007, Mr. Banzhaf served as President and Chief Executive Officer of SpatialLight Technologies, Inc., a wholly-owned subsidiary of SpatialLight Inc. (NASDAQ: HDTV). Prior thereto, Mr. Banzhaf worked in capital markets primarily in institutional equities for a number of firms including Raymond James & Associates and C.E. Unterberg Towbin. Mr. Banzhaf also ran a philanthropic organization to raise money for breast cancer charities from 2007-2009. Mr. Banzhaf received his M.B.A. from Southern Methodist University and his Bachelor of Arts from Miami University.

Mark Hodowanec has been Chief Technical Officer of the Company since February 14, 2014. Mr. Hodowanec was a program manager and lead engineer for Curtiss-Wright Corporation from September 2006 through February 2014. From May 2004 through September 2006 he operated his own consulting firm, MMH Consulting, assisting R&D & product development companies develop custom motors solutions. From September 2004 through October 2005, Mr. Hodowanec worked at Wavecrest Laboratories. From May 1994 through February 2004, Mr. Hodowanec was at Siemens Energy & Automation as a Manager, Mechanical Engineering. Mr. Hodowanec received a B.S. and M.S. degree in mechanical engineering from the University of Akron and a M.B.A. from Xavier University.

#### Audit Committee and Financial Expert; Committees

The Company does not have an audit committee. We are not a "listed company" under SEC rules and are therefore not required to have an audit committee comprised of independent directors.

The Company has no nominating or compensation committees at this time. The entire Board participates in the nomination and audit oversight processes and considers executive and director compensation. Given the size of the Company and its stage of development, the entire Board is involved in such decision making processes. Thus, there is a potential conflict of interest in that our directors and officers have the authority to determine issues concerning management compensation, nominations, and audit issues that may affect management decisions. We are not aware of any other conflicts of interest with any of our executive officers or directors.

#### Family relationships

There are no family relationships among any of our officers or directors.

#### Involvement in legal proceedings

Other than as described above in "Legal Proceedings", there are no legal proceedings that have occurred within the past ten years concerning our directors, or control persons which involved a criminal conviction, a criminal proceeding, an administrative or civil proceeding limiting one's participation in the securities or banking industries, or a finding of securities or commodities law violations.

#### Board of Advisors

The Company has recently established a Board of Advisors which currently consists of two members, Richard Schul and Scott Van Dorn, to assist with its strategic business plan. Mr. Van Dorn, currently engineering director at Navistar Corporation, has more than 20 years of experience in global engineering and management in vehicles, engines electronics and design. Mr. Schul is veteran of the motor/generator industry. The Company currently hopes to engage

three more advisors in the second quarter of 2014.

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## Summary Compensation Table

The following table provides certain information regarding compensation awarded to, earned by or paid to persons serving as our Chief Executive Officers during fiscal 2013 and 2012 and our other officer who had total compensation exceeding \$100,000 for fiscal 2013 or 2012 (each a "named executive officer").

| Name and Principal Position                                | Fiscal Year Ended 12/31 | Salary Paid (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | All Other Compensation (\$) | Total (\$) |
|--|-------------------------|------------------|------------|-------------------|--------------------|-----------------------------|------------|
| Timothy Hassett (1)<br>CEO and Chairman                    | 2013                    | 27,000           | -          | -                 | -                  | 158,250 (3)                 | 177,750    |
|  | 2012                    |                  |            |                   |                    | 80,000 (4)                  | 80,000     |
| Quentin Ponder (2)<br>Chief Financial Officer and Director | 2013                    |                  |            |                   |                    | 118,750 (5)                 | 118,750    |
|  | 2012                    |                  |            |                   |                    | 60,000 (6)                  | 60,000     |
| Theodore Banzhaf<br>President                              | 2013                    | 1                |            |                   |                    | 175,000 (7)                 | 175,001    |
|  | 2012                    |                  |            |                   |                    | 0                           | 0          |

- (1) Mr. Hassett was appointed Chief Executive Officer and Chairman as of April 5, 2012.
- (2) Mr. Ponder was Chief Executive Officer and President until April 5, 2012.
- (3) Represents (i) consulting fees of \$10,000 for January and March through July 2013; consulting fees of \$8,500 for February 2013 and consulting fees of \$13,500 for August, September and October 2013 paid to Mr. Hassett and (ii) consulting fees of \$3,500 for March through July 2013, consulting fees of \$1,750 for January 2013 and consulting fees of \$5,000 for March 2013 accrued to Mr. Hassett pursuant to his consulting agreement with the Company. Also includes a payment of \$25,000 for achieving the filing of a patent during 2013.
- (4) Represents consulting fees paid to Mr. Hassett pursuant to his consulting agreement with the Company for eight months at \$10,000 per month. Mr. Hassett agreed to forego four months of fees.
- (5) Represents (i) consulting fees of \$7,500 for January 2013 through July 2013 and consulting fees of \$10,000 for August 2013 through December 2013 paid, and (ii) consulting fees of \$1,250 for January 2013 and consulting fees of \$2,500 for February 2013 through July 2013 accrued to Summit Management Consulting, Inc. ("Summit") for Quentin Ponder's services. Summit is owned by Mr. Ponder.
- (6) Represents consulting fees paid to Summit for Quentin Ponder's services for eight months at \$7,500 per month. Mr. Ponder agreed to forego four months of fees.
- (7) Represents (i) consulting fees of \$9,829 for December 2013 paid, and (ii) consulting fees of \$12,500 for January 2013 through July 2013, consulting fees of \$17,500 for August through November 2013 and consulting fees of \$7,671 accrued by Mr. Banzhaf.

We have no pension, health, annuity, bonus, insurance, stock option, profit sharing or similar benefit plans.

## Employment Agreements

We entered into an employment agreement, dated March 5, 2014, with Timothy Hassett to serve as our Chief Executive Officer for an initial annual salary of \$210,000, to be paid in equal monthly installments. If the Company is cash flow positive for three consecutive months, the monthly compensation will increase to \$25,000 per month. If the Company maintains profitability for four consecutive quarters, the monthly compensation will increase to \$30,000 per month. The Company also agreed to reimburse Mr. Hassett for his healthcare costs until the Company adopts a healthcare plan. If Mr. Hassett's employment is terminated without cause, he will be entitled to severance in the amount of two years' salary in effect at such time to be paid by the Company in one payment or in four equal installments at the end of each quarter following termination, at the Company's discretion. Such severance obligation shall accelerate and become immediately payable upon change of control of the Company. The Company will also pay any excise tax on Mr. Hassett's behalf that may be triggered under the Internal Revenue Code as a result. Mr. Hassett will not compete with the Company during the term of the agreement.

We entered into an employment agreement, dated February 10, 2014, with Mark Hodowanec to serve as our Chief Technical Officer for an initial annual salary of \$175,000, to be paid in equal monthly installments. Mr. Hodowanec's annual salary shall be increased to \$210,000 upon commercialization of the 25/50 kW mobile generators; to \$240,000 upon the Company generating \$100,000 in revenues or \$1,000,000 in new financing; to \$300,000 upon the Company achieving profitability; and to \$360,000 upon the Company maintaining profitability for four consecutive quarters. The Company also agreed to reimburse Mr. Hodowanec for his healthcare costs until the Company adopts a healthcare plan. If Mr. Hodowanec's employment is terminated without cause, he will be entitled to severance in the amount of two years' salary in effect at such time to be paid by the Company in one payment or in four equal installments at the end of each quarter following termination, at the Company's discretion. Such severance obligation shall accelerate and become immediately payable upon change of control of the Company. The Company will also pay any excise tax on Mr. Hodowanec's behalf that may be triggered under the Internal Revenue Code as a result. Mr. Hodowanec will not compete with the Company during the term of the agreement.

We entered into an employment agreement, dated March 31, 2012, with Theodore Banzhaf to serve as our President. Prior to raising \$3.5 million for the Company, Mr. Banzhaf's compensation will be \$1 per month and \$20,000 per month subsequent to raising \$3.5 million. If Mr. Banzhaf's employment is terminated without cause, he will be entitled to severance equal to one month's salary for each three months of employment, but not less than six nor more than twelve months' salary. Subsequent to raising \$3.5 million, Mr. Banzhaf will also be eligible for quarterly cash and equity bonuses, at the board of director's discretion. Mr. Banzhaf was granted an option to purchase 5,000,000 shares of the Company's common stock when the common stock trades at certain milestone prices or upon a change of control of the Company.

## Consulting Agreements

We entered into a consulting agreement with Summit in April 2011 for services provided by Quentin Ponder to the Company for a consulting fee of \$5,000 per month which fee was increased to \$7,500 per month effective January 1, 2012. During 2012, Mr. Ponder agreed to forgo four months' payment under the consulting agreement due to the financial condition of the Company. Mr. Ponder was paid \$7,500 per month from January 2013 through July 2013 and accrued \$2,500 during those months (except for the first month in which he accrued \$1,250) and was paid \$10,000 per month from August 2013 through December 2013.

We entered into a consulting agreement with Timothy Hassett in April 2011 pursuant to which he received \$5,000 per month which consulting fee was increased to \$10,000 per month effective January 1, 2012. During 2012, Mr. Hassett agreed to forgo four months' payment on the agreement due to the financial condition of the Company. Mr. Hassett was paid \$10,000 per month from January 2013 through July 2013 and accrued \$3,500 during those months (except



for the first month in which he accrued \$1,750) and was paid \$13,500 per month from August 2013 through October 2013. Such consulting agreement terminated on November 1, 2013, the date Mr. Hassett became a full-time, salaried employee of the Company.

On May 1, 2012, we entered into a consulting agreement with Bibb Productions & Consulting for Judson Bibb's services for a monthly consulting fee of \$6,000 conditional upon the financial ability of the Company. Mr. Bibb's monthly consulting fee under this agreement was accrued but unpaid from May 2012 through April 2013 and was paid to Mr. Bibb for the months of May, June, July and August 2013. Such consulting agreement terminated on January 1, 2014, the date Mr. Bibb became a full-time, salaried employee of the Company and was paid \$8,000 per month

#### Outstanding Equity Awards

The table below reflects all outstanding equity awards made to any named executive officer that were outstanding at December 31, 2013.

#### OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013

| Name             | Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable | Option Awards   |                            |                        |
|------------------|------------|---|---|----------------------------|------------------------|
|                  |            |   | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date |
| Theodore Banzhaf | 4/2/13     | 0   | 5,000,000(1)  | \$ (1)                     | (1)                    |

(1) Represents five options to purchase 1,000,000 shares each at such time as our common stock trades at \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00 for 20 consecutive days while Mr. Banzhaf serves as President and for one year following Mr. Banzhaf's termination without cause. Exercise prices of these options will be equal to the closing price of the Company's stock on the date the option vests. On March 31, 2014, the Board amended Mr. Banzhaf's options to provide for cashless exercise and for the stock price milestones to be: \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 in lieu of the current milestone prices of \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00.

#### Compensation of Officers

On February 20, 2013, the Board approved the following compensation for its officers: (i) \$13,500 per month for Timothy Hassett, as Chief Executive Officer, (ii) \$10,000 per month for Quentin Ponder, as Chief Financial Officer and Treasurer, (iii) \$12,500 per month for Theodore Banzhaf, as President, (iv) \$14,500 per month for a still undesignated Chief Technical Officer and (v) \$8,000 per month for Judson Bibb, as Vice-President and Secretary. Such compensation accrued commencing January 15, 2013 until July 2013 when the Company raised \$1 million.

On February 20, 2013, the Board also approved increased compensation if and when the Company achieves certain milestones as follows: (1) generating \$1 million in additional funding, (2) generating \$100,000 in revenue or an additional \$1 million in funding, (3) achieving profitability (being cash flow positive for three consecutive months) and (4) maintaining profitability for four consecutive quarters. With the achievement of the first milestone, the compensation for the President and the Chief Technical Officer will increase to \$17,500 per month. With the achievement of the second milestone, the compensation for the Chief Executive Officer shall increase to \$17,500 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$12,000 per month, the compensation for the President and the Chief Technical Officer shall increase to \$20,000 per month, and the compensation for the Vice President and Secretary shall increase to \$10,000 per month. With the achievement of the third milestone, the compensation for the Chief Executive Officer shall increase to \$25,000 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$18,000 per month, the compensation for the President shall increase to \$24,000 per month, the compensation for the Chief Technical Officer shall increase to \$25,000 per month, and the compensation for the Vice President and Secretary shall increase to \$12,000 per month. With the achievement of the fourth milestone, the compensation for the Chief Executive Officer shall increase to \$30,000 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$24,000 per month, the compensation for the President shall increase to \$29,000 per month, the compensation for the Chief Technical Officer shall increase to \$30,000 per month, and the compensation for the Vice President and Secretary shall increase to \$15,000 per month. The validity of the compensation is an issue in the pending litigation with Spirit Bear at described above in "Legal Proceedings".

In addition, the Board authorized the Chief Executive Officer to make quarterly bonuses of \$50,000 and/or 50,000 shares of, or options for Common Stock available for each officer in addition to performance payments from 5% of the Company's net income to be given for individual contributions, such as the awarding of patents or the signing of major customer contracts.

The Board also approved the decrease in the exercise price of the five outstanding options to purchase 1,000,000 shares held by Theodore Banzhaf, and to provide for cashless exercise of these options. The milestone stock prices were reduced to \$2.00, \$3.00, \$4.00, \$4.50 and \$5.00 for 20 consecutive trading days each. These milestone stock prices had been changed from \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Once the stock has traded at these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause. The validity of the compensation is an issue in the pending litigation with Spirit Bear at described above in "Legal Proceedings".

On March 24, 2013, the Company and Theodore Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase 1,000,000 shares as well as the cashless exercise thereof.

On March 31, 2014, the Board amended Mr. Banzhaf's options to provide for cashless exercise and for the stock price milestones to be: \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 in lieu of the current milestone prices of \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00.

On March 31, 2014, the Board approved the grant of options to Judson Bibb to purchase 2,000,000 shares of common stock at an exercise price of \$2.00 per share and the grant of options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Messrs. Hassett, Hodowanec and Banzhaf.

#### Director Compensation

The Company has not yet established a compensation plan for its directors. Consequently, none of our directors received compensation for services rendered in their capacities as directors. However, Messrs. Hassett, Ponder and

Bibb were compensated for services rendered in their capacities as officers of the Company. No arrangements are presently in place regarding compensation to directors for their services as directors.

In 2011, Judson Bibb received a gift of 5,000,000 shares from PPEG. For accounting purposes, the shares are being classified as compensation. The shares were subsequently returned on April 13, 2012 and no financial benefit was accrued.

On February 20, 2013, the Board granted Judson Bibb an option to purchase 2,000,000 shares of common stock, at a purchase price of par value, or \$0.001 per share. The option was not exercised and on March 21, 2013, the Company and Judson Bibb signed an agreement rescinding such option grant.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists, as of May 14, 2014, the number of shares of common stock beneficially owned by (i) each person, entity or group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each of our named executive officers and directors (iii) all officers and directors as a group. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using “beneficial ownership” concepts under the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person directly or indirectly has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to dispose or direct the disposition of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the SEC rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary interest. Except as noted below, each person has sole voting and investment power with respect to the shares beneficially owned and each stockholder’s address is c/o HPEV, Inc., 8875 Hidden River Parkway, Suite 300, Tampa, Florida 33637.

The percentages below are calculated based on 56,411,075 shares of common stock issued and outstanding on May 14, 2014.

| Name of Beneficial Owner  | Number of Shares Beneficially Owned | Percentage |
|---|-------------------------------------|------------|
| <b>5% or Greater Stockholders</b>   |                                     |            |
| Spirit Bear Limited (1)<br>1470 First Avenue, No 4a<br>New York, NY 10075 | 15,984,597(2)                       | 24.82%     |
| Mark Hodowanec  | 7,100,000(3)                        | 12.36%     |
| <b>Directors and named executive officers</b>                             |                                     |            |
| Timothy Hassett   | 7,052,000(4)(5)                     | 12.28%     |
| Quentin Ponder  | 2,000,000                           | 3.54%      |
| Theodore Banzhaf  | 6,000,000(4)(6)                     | 9.61%      |
| Judson Bibb   | 2,200,400(7)                        | 3.76%      |
| All executive officers and directors as a group (5 Persons)               | 24,352,400                          | 36.66%     |

(1) Jay Palmer, President of Spirit Bear, has sole voting and disposition power over shares held by Spirit Bear.

- (2) Includes (i) 500,000 shares of common stock, (ii) 7,500,000 shares of common stock underlying 150 shares of Preferred Stock (having voting rights to 50,000 shares of common stock for each share of Preferred Stock) and (iii) currently exercisable warrants to purchase an aggregate of 7,984,597 shares of common stock.
- (3) Includes options to purchase 1,000,000 shares of common stock at \$2.00 per share.
- (4) On February 19, 2013, Mr. Banzhaf granted a proxy to Timothy Hassett with respect to all his voting rights for any shares of common stock owned by Mr. Banzhaf and with respect to an aggregate of 5,000,000 shares of common stock subject to currently exercisable stock options at certain stock price milestones. The 5,000,000 options granted to Mr. Banzhaf subject to said proxy are not included in the amount of shares indicated above for Mr. Hassett.
- (5) Includes options to purchase 1,000,000 shares of common stock at \$2.00 per share. Does not include (i) 700,000 shares held by Mr. Hassett's wife and (ii) an aggregate of 90,000 shares held by Mr. Hassett's minor children.
- (6) Includes five options to purchase 1,000,000 shares each at such time as our common stock trades at \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00 for 20 consecutive days while Mr. Banzhaf serves as President and one year following a termination of Mr. Banzhaf without cause. Exercise prices of these options will be equal to the closing price of the Company's stock on the date the option vests. On March 31, 2014, the Board amended Mr. Banzhaf's options to provide for cashless exercise and for the stock price milestones to be: \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 in lieu of the current milestone prices of \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Also includes options to purchase 1,000,000 shares of common stock at \$2.00 per share.
- (7) Includes options to purchase 2,000,000 shares of common stock at \$2.00 per share.

#### Change-in-Control Agreements

The Company does not have any change-in-control agreements with any of its executive officers, except that severance payments, if any, to which Messrs. Hodowanec and Hassett may be entitled under their employment agreements as described above in "Employment Agreements", accelerate in the event of a change of control.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND CORPORATE GOVERNANCE

#### Certain Relationships and Related Transactions

On September 7, 2010, the Company entered into a Loan Agreement (the "PPEG Loan Agreement") with Phoenix Productions and Entertainment Group, LLC ("PPEG") for interest-free loans up to \$1,000,000. Repayment was not required by the Company until it received revenues. As no revenues were generated, no repayments or interest payments were made. The Company borrowed an aggregate of \$911,894 under the PPEG Loan Agreement which was used for the Company's operations, potential acquisitions, acquisition of intellectual property rights and its subsidiary. As of December 21, 2012, \$911,894 outstanding under the PPEG Loan Agreement was forgiven pursuant to the Debt Settlement Agreement described below.

On March 7, 2012, the Company entered into a loan agreement with Action Media Group, LLC, an Arizona limited liability company ("AMG") and a former shareholder for \$500,000 (pursuant to which the Company borrowed \$250,000) which loan accrued interest at 3% per annum, with payment of principal and interest to begin at a mutually agreed upon date in the future. In connection with the Debt Settlement Agreement, AMG agreed to forgive all outstanding debt and accrued interest under the loan in exchange for approximately 21% (representing its pro rata interest) of \$400,000 to be paid in monthly increments if and when the Company's revenues reach \$1 million.

On August 8, 2012, Spirit Bear provided us an \$186,222 bridge loan which matured in 180 days (which was subsequently extended on October 26, 2012 to November 30, 2012). In consideration therefor, we issued to Spirit Bear warrants to purchase up to 1,330,148 shares of common stock at an exercise price of \$0.35 per share.

On December 11, 2012, pursuant to a debt settlement agreement (the "Debt Settlement Agreement") by and among the Company, PPEG, Action Media (PPEG and Action Media collectively, the "Debt Holders") and Spirit Bear, the Debt Holders agreed to forgive debt of \$1,161,894 and accrued interest owed to them by the Company (the "Debt") and release the Company of any future liability or claim related to the Debt, the shares of any class of equity in the Company, and any obligation or liability of the Company. Pursuant to the Debt Settlement agreement, the Debt Holders deposited 4,676,000 shares of common stock into escrow. Upon the filing of a registration statement with the SEC, on January 11, 2013, 3,676,000 shares were cancelled and returned to treasury. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share at the rate of \$10,000 per month commencing within 90 days after the Company achieves \$1,000,000 in gross revenues from business operations.

In October 2011, Judson Bibb, our Vice President, Secretary and a director, received a gift of 5,000,000 shares from PPEG. The shares were subsequently returned on April 13, 2012.

On April 12, 2011, Judson Bibb, our Secretary and a director, provided an interest-free loan to the Company in the amount of \$22,910 which remains outstanding.

On February 20, 2013, the Board at that time, consisting of Messrs. Hassett, Ponder and Bibb, approved the following compensation for its officers: (i) \$13,500 per month for Timothy Hassett, as Chief Executive Officer, (ii) \$10,000 per month for Quentin Ponder, as Chief Financial Officer and Treasurer, (iii) \$12,500 per month for Theodore Banzhaf, as President, (iv) \$14,500 per month for a still undesignated Chief Technical Officer and (v) \$8,000 per month for Judson Bibb, as Vice President and Secretary. Such compensation accrues commencing January 15, 2013 but will not be paid until the Company raises \$1,000,000. As of July 24, 2013, the Company raised \$1,000,000.

On February 20, 2013, the Board also approved increased compensation if and when the Company achieves the following milestones: (1) generating \$1 million in additional funding, (2) generating \$100,000 in revenue or an additional \$1 million in funding, (3) achieving profitability (being cash flow positive for three consecutive months) and (4) maintaining profitability for four consecutive quarters. With the achievement of the first milestone, the compensation for the President and the Chief Technical Officer will increase to \$17,500 per month. With the achievement of the second milestone, the compensation for the Chief Executive Officer shall increase to \$17,500 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$12,000 per month, the compensation for the President and the Chief Technical Officer shall increase to \$20,000 per month, and the compensation for the Vice President and Secretary will increase to \$10,000 per month. With the achievement of the third milestone, the compensation for the Chief Executive Officer will increase to \$25,000 per month, the compensation for the Chief Financial Officer and Treasurer will increase to \$18,000 per month, the compensation for the President will increase to \$24,000 per month, the compensation for the Chief Technical Officer will increase to \$25,000 per month, and the compensation for the Vice President and Secretary will increase to \$12,000 per month. With the achievement of the fourth milestone, the compensation for the Chief Executive Officer will increase to \$30,000 per month, the compensation for the Chief Financial Officer and Treasurer will increase to \$24,000 per month, the compensation for the President will increase to \$29,000 per month, the compensation for the Chief Technical Officer will increase to \$30,000 per month, and the compensation for the Vice President and Secretary will increase to \$15,000 per month.

The Board also authorized the Chief Executive Officer to make quarterly bonuses of \$50,000 and/or 50,000 shares of, or options for common stock available for each officer in addition to performance payments from 5% of the Company's net income to be given for individual contributions, such as the awarding of patents or the signing of major

customer contracts.

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In addition on February 20, 2013, the Board approved the decrease in the exercise price of the five outstanding options to purchase 1,000,000 shares held by Theodore Banzhaf, our President, and to provide for cashless exercise of these options. The milestone stock prices were reduced to \$2.00, \$3.00, \$4.00, \$4.50 and \$5.00 for 20 consecutive trading days each. These milestone stock prices had been changed from \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Once the stock has traded at these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause. On March 24, 2013, the Company and Theodore Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase 1,000,000 shares as well as the cashless exercise thereof.

On February 20, 2013, the Board also granted Judson Bibb an option to purchase 2,000,000 shares of common stock, at a purchase price of par value, or \$0.001 per share. The options expire one year after Mr. Bibb has been terminated without cause. The options can be exercised on a cashless basis. On March 21, 2013 Judson Bibb signed an agreement rescinding the option grant.

In January, 2013, Quentin Ponder, our Chief Financial Officer and a director, was repaid \$12,100 on an interest-free unsecured loan made to the Company in 2012.

As of July 24, 2013, the Company had raised \$1 million. Therefore, as per the board resolution passed on February 20, 2013, Mr. Hassett consulting fee increased to \$13,500 a month, Mr. Banzhaf's increased to \$12,500 a month, Mr. Ponder's increased to \$10,000 a month and Mr. Bibb's increased to \$8,000 a month. As noted above, the accruals began on January 15, 2013. The validity of the compensation is an issue in the pending litigation with Spirit Bear at described above in Legal Proceedings.

On March 14, 2014, a five-year warrant to purchase 400,000 shares of common stock at an exercise price of \$0.60 was issued to Paul Hodowanec, the brother of Mark Hodowanec, our Chief Technical Officer, for business development services provided to the Company. The warrant may be exercised on a cashless basis.

On March 24, 2013, the Company and Theodore Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase 1,000,000 shares as well as the cashless exercise thereof.

On March 31, 2014, the Board amended Mr. Banzhaf's options to provide for cashless exercise and for the stock price milestones to be: \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 in lieu of the current milestone prices of \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00.

On March 31, 2014, the Board approved the grant of options to Judson Bibb to purchase 2,000,000 shares of common stock at an exercise price of \$2.00 per share and the grant of options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Messrs. Hassett, Hodowanec and Banzhaf.

#### Spirit Bear Limited

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear (i) 200 shares of the Company's Preferred Stock and (ii) warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock at an exercise price of \$0.35 per share, 2,000,000 shares of the Company's common stock at an exercise price of \$0.50 per share, and 2,000,000 shares of the Company's common stock at an exercise of \$0.75 per share, each subject to adjustment as provided in the warrant. The aggregate purchase price for the Preferred Stock and warrants was \$500,000, of which \$313,777.62 was paid in cash and \$186,222.38 was paid by cancellation of \$186,222.38 in outstanding indebtedness held by Spirit Bear. The warrants may be exercised on a cashless basis.



The Company and Spirit Bear also entered into a registration rights Agreement, dated December 14, 2012 (the "Registration Rights Agreement") pursuant to which the Company is obligated to file a registration statement to register the shares issuable upon conversion of the preferred stock and the shares issuable upon the exercise of the warrants held by it. Each share of the Preferred Stock was initially convertible into 20,000 shares of Company's common stock at a conversion price of \$2,500 per share. The holders of the Preferred Stock are entitled to be paid prior and in preference to any payment or distribution of any available funds and assets on any shares of common stock, an amount per share equal to a liquidation price of \$2,500 per share of the Preferred Stock.

Pursuant to the Securities Purchase Agreement, as amended on April 12, 2013, the Company shall have the option to require Spirit Bear to purchase up to an additional 200 shares of Preferred Stock and associated warrants in the event that written certification from a federally licensed testing facility reasonably acceptable to Spirit Bear, evidencing that three motors or alternators or two motors and one AMP system incorporating the Company's technology have been comprehensively tested in accordance with applicable NEMA, ANSI and IEEE standards and that the results of these tests meet or exceed the minimum requirements for certification under those standards; that those same motors, alternators and/or system incorporating the Company's technology have passed tests with respect to (i) IEEE 112 in Methods E, E1, F or F1 with a maximum horsepower of 4,000 for F or F1, (ii) sound pressure testing to IEEE 85 and NEMA MG1 20 standards, (iii) bearing temperature testing, (iv) speed versus torque/current testing, (v) polarization index testing per IEEE 45 standards, and (vi) IEEE 112 Method B for full efficiency; and that testing evidences an improvement in power density of at least 12%) compared to the same motor or alternator not incorporating the technology. In the event the Company shall not have received such certification by December 14, 2013, Spirit Bear has a 12 month option, to purchase an additional 200 shares of Preferred Stock and associated warrants. On December 13, 2013 Spirit Bear and its counsel were advised that since the results of the testing of the Company's technology met or exceeded the minimum requirements as provided, Spirit Bear no longer has such option.

On February 6, 2013, the Company received a letter from Spirit Bear which stated that the Company was in default of the Securities Purchase Agreement. According to Spirit Bear, the Company had not acted promptly to make 50% of the board of directors Spirit Bear designees. In addition, Spirit Bear stated that the Company had not amended its Bylaws with respect to special meetings and meeting adjournments nor had it provided a certified copy of its Articles of Incorporation within 10 days of the closing of the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, the Company's bylaws relating to special meetings and meeting adjournments were amended as required. Jay Palmer and Carrie Dwyer were appointed to the board of directors on February 20, 2013 and Donica Holt was appointed to the board of directors on March 7, 2013.

The Company received another letter from counsel to Spirit Bear on March 7, 2013 indicating that the Company was still in default of its obligations under the Securities Purchase Agreement, that the Company knowingly prevented the Spirit Bear directors from considering certain self-dealing salary increases, and that the option grant to Judson Bibb discussed above triggered the anti-dilution provision provided for in the Securities Purchase Agreement.

On April 12, 2013, the Company and Spirit Bear Limited reached agreement regarding the settlement of allegations that the Company did not perform certain obligations pursuant to the Securities Purchase Agreement, and with respect to certain actions taken by the Company with respect to providing compensation to its management. Spirit Bear agreed to discharge the Company from all such claims Spirit Bear may have had as well as to forgo all actions of any kind related to those claims which existed on or prior to April 12, 2013. Both parties also agreed that the signing of the agreement did not constitute an admission of wrongdoing or liability. To satisfy the allegations, the Company and Spirit Bear agreed to amend the Company's Certificate of Designation to provide that each share of Preferred Stock would be convertible into 50,000 shares of common stock and have voting rights equal to 50,000 shares.



Since the Company had never had a stockholders' meeting since its inception, management of the Company desired to have such a meeting. The initial draft of a proxy for an annual meeting was first circulated to the Board in June and input was received from counsel retained by the three directors (the "SBL Directors") nominated by Spirit Bear (namely, Jay Palmer, Carrie Dwyer and Donica Holt); the draft was circulated back and forth for over a month. Simultaneous with the preparation of said proxy, the Company and the SBL Directors were negotiating, among others, terms of future capital raises and board committees. Once counsel to the SBL Directors made it clear that they would not move further with these negotiations until and unless certain material changes were made with respect to the management of the Company, there were no further discussions regarding a settlement. Notwithstanding the litigation between the parties described below, in a further attempt to provide the stockholders of the Company an opportunity to be heard, on September 30, 2013, a draft of a special meeting of the stockholders was sent to counsel to Spirit Bear. One of the proposals of this meeting to be called by the Chairman of the Company was a proposal that was included in the previous drafts, to amend the Bylaws to provide that the Company's Board shall have the power to remove a director from office. Counsel to the SBL Directors objected to the inclusion of such a proposal. Said counsel also objected to the narrative describing the relationship with SBL, and after several drafts the language which was ultimately agreed upon between management and the SBL Directors were contained in the proxy filed by the Company with the SEC on November 1, 2013.

However, after the filing of the definitive initial proxy on November 15, 2013, management determined that the stockholders holding a majority of the issued and outstanding shares should have the ability to elect the directors of the Company. In order for that to occur, the three management directors determined to add a proposal regarding amending the bylaws to the proxy. Accordingly, all disclosure contained in the initial proxy (which in its entirety had been approved by the SBL Directors and its counsel) is identical to that contained in the proxy filed on December 24, 2013 other than the disclosure with respect to proposals one and two as well as certain other disclosure which the Company revised from the initial proxy.

The entire Board, including the SBL Directors, received a draft of the proxy on December 5, 2013, with a note that the proxy was going to be filed that day. Neither the Company nor its counsel heard from any of the SBL Directors, their corporate counsel or their Nevada litigation firm prior to the filing of the preliminary proxy on December 5, 2013. Moreover, during the ten-day SEC review period neither the Company nor its counsel heard from any of the SBL Directors or their counsel regarding the proxy filed on December 24, 2013.

On August 16, 2013, the Company received a Demand for Documents and Demand to Cease and Desist from Nevada counsel representing Spirit Bear and Jay Palmer, one of the three directors of the Company who was appointed by Spirit Bear. Such notice requires the Company to provide Mr. Palmer all books and records regarding all equity or debt issued by the Company since January 1, 2013 and an accounting of all compensation disbursed to Company executive officers since such date. Spirit Bear contends that management of the Company issued equity or debt without authority, and established compensation levels for the Company's officers and paid salaries to its officers in violation of its agreements with Spirit Bear and the Company's public filings.

On August 27, 2013 the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, Carrie Dwyer and Donica Holt (Case 2:13-cv-01548) (the "Lawsuit") seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and the defendants are bound by the Settlement Agreement. The defendants have indicated that they will seek indemnification from the Company as a result of the Company initiating this Lawsuit. The Company amended its complaint and dismissed Mr. Palmer and Mrs. Dwyer and Holt from the Lawsuit and sought an emergency summary judgment motion requesting declaratory relief that the February resolutions are valid. Defendant Spirit Bear objected to the Company's designation of its motion as a purported emergency because it improperly denies Spirit Bear the opportunity to respond to the Company's amended complaint, conduct discovery and investigate the Company's claims. On October 28, 2013, Spirit Bear responded to the Company's amended complaint and asserted derivative

third-party claims in the Lawsuit on behalf of the Company against Messrs.Hassett, Banzhaf, Ponder, Bibb and Hodowanec.

On September 16, 2013, Jay Palmer brought an emergency petition for a writ ordering the Company to allow him to inspect the books and records of the Company. On October 1, 2013 the court granted Mr. Palmer the right to inspect the books and records regarding (a) all equity or debt issued by Company management since January 1, 2013 and (b) all compensation disbursed to the Company's executive officers since January 1, 2013, with an accounting of disbursements. To date, the Company has not received any notification from Mr. Palmer or his counsel regarding when he desires to inspect the books and records with respect to said two matters.

On October 5, 2013, the Company issued Spirit Bear a warrant to purchase up to 500,000 shares of common stock at an exercise price of \$0.35 per share as a result of the Company not maintaining an effective registration statement for Spirit Bear's securities.

On March 31, 2014, we issued 500,000 shares of common stock to Spirit Bear upon the conversion of 10 shares of Preferred Stock.

See "Legal Proceedings" above for a description of the legal proceedings between the Company and Spirit Bear.

#### Director Independence

We currently do not have any independent directors as the term "independent" is defined by the rules of the American Stock Exchange.

#### EXPENSES OF ISSUANCE AND DISTRIBUTION

We have agreed to pay all expenses incident to the offering and sale of the shares being registered other than any commissions and discounts of underwriters, dealers or agents and any transfer taxes, which shall be borne by the selling stockholders. The expenses which we are paying are set forth in the following table. All of the amounts shown are estimates except the SEC registration fee.

|                              |              |
|------------------------------|--------------|
| SEC filing fee               | \$ 1,010.89  |
| Legal fees and expenses      | \$ 10,000*   |
| Accounting fees and expenses | \$ 6,700*    |
| Miscellaneous                | \$ 3,645*    |
| Total                        | \$ 21,355.89 |

\*Estimated

#### ADDITIONAL INFORMATION

Federal securities laws require us to file information with the SEC concerning our business and operations. Accordingly, we file annual, quarterly, and special reports, and other information with the SEC. You can inspect and copy this information at the public reference facility maintained by the SEC at Room 1024, 100 F Street, N.E., Washington, D.C. 20549.

You can get additional information about the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The Commission also maintains a web site (<http://www.sec.gov>) at which you can read or download our reports and other information.

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933 with respect to the common stock being offered hereby. As permitted by the rules and regulations of the SEC, this prospectus does not contain all the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to the Company and the common stock offered hereby, reference is made to the registration statement, and such exhibits and schedules. Statements contained in this prospectus regarding the contents of any contract or any other documents to which we refer are not necessarily complete. In each instance, reference is made to the copy of the contract or document filed as an exhibit to the registration statement, and each statement is qualified in all respects by that reference. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the SEC at the addresses set forth above. You can request copies of these documents upon payment of a duplicating fee by writing to the SEC. You may call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference rooms. Our filings, including the registration statement, will also be available to you on the Internet web site maintained by the SEC at <http://www.sec.gov>.

#### DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our directors and officers are indemnified by our Bylaws to the fullest extent permitted by Nevada law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to such directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

#### LEGAL MATTERS

David Lubin & Associates, PLLC has opined on the validity of the shares being offered hereby.

#### EXPERTS

The consolidated financial statements included in this prospectus and in the registration statement for the year ended December 31, 2013 have been audited by Anton & Chia, LLP, an independent registered public accounting firm and the consolidated financial statements for the year ended December 31, 2012 have been audited by De Joya Griffith, LLC, an independent registered public accounting firm, and are included in reliance upon such report given upon the authority of said firms as experts in auditing and accounting.



Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
HPEV, Inc.

We have audited the accompanying consolidated balance sheet of HPEV, Inc. (the "Company" - a development stage company) as of December 31, 2013, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended; and for the period from January 1, 2013 through December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 2012 and for the year then ended and for the period from March 4, 2011 (inception) through December 31, 2012 were audited by other auditors, whose report dated March 29, 2013 (except as to Note 3, as to which the date is May 17, 2013,) expressed an unqualified opinion on those consolidated financial statements and also included an explanatory paragraph that raise substantial doubt about the Company's ability to continue as a going concern.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013, and the results of their operations and their cash flows for the year then ended; and for the period from January 1, 2013 through December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has had no revenues and incurred an accumulated deficit of \$8,858,166 since inception. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2, which includes the raising of additional equity financing or merger with another entity. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3 to the consolidated financial statements, the 2013 consolidated financial statements have been restated to correct a misstatement of the Company's original accounting for a stock warrant.

/s/ Anton & Chia, LLP

Newport Beach, CA

March 31, 2014, except as to Note 3 as to which the date is April 23, 2014

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Office Locations

Las Vegas, NV

New York, NY

Pune, India

Beijing, China

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

HPEV, Inc.

We have audited the accompanying consolidated balance sheets of HPEV, Inc. and Subsidiary (A Development Stage Company) (the "Company") as of December 31, 2012 and 2011 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2012, for the period from inception (March 24, 2011) through December 31, 2011 and for the period from inception (March 24, 2011) through December 31, 2012. HPEV, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HPEV, Inc. (A Development Stage Company) as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the year ended December 31, 2012, for the period from inception (March 24, 2011) through December 31, 2011 and for the period from inception (March 24, 2011) through December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ De Joya Griffith, LLC

Henderson, Nevada

May 17, 2013

HPEV, INC.

(A Development Stage Company)  
Consolidated Balance Sheets

|  | As of<br>December 31,<br>2013<br>(Restated) | As of<br>December 31,<br>2012<br>(Restated) |
|--|---|---|
| <b>ASSETS</b>  |   |   |
| Current assets   |   |   |
| Cash   | \$ 477,549                                  | \$ 194,721                                  |
| Prepaid expenses   | -   | 373,679                                     |
| Total current assets   | 477,549                                     | 568,400                                     |
| Intangible assets  | 98,697                                      | 73,582                                      |
| Total assets   | \$ 576,246                                  | \$ 641,982                                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |   |   |
| Current liabilities  |   |   |
| Accounts payable   | \$ 230,527                                  | \$ 177,280                                  |
| Accounts payable – related party   | 272,564                                     | 52,305                                      |
| Accrued payroll liabilities  | 10,428                                      | -   |
| Notes payable-related party  | 22,910                                      | 34,110                                      |
| Total current liabilities  | 536,429                                     | 263,695                                     |
| Total liabilities  | 536,429                                     | 263,695                                     |
| Stockholders' equity   |   |   |
| Preferred stock: \$.001 par value: 15,000,000 shares authorized, 199 and 200 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively             | -   | -   |
| Common stock; \$.001 par value; 100,000,000 shares authorized, 48,700,929 and 42,970,441 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively | 48,702                                      | 42,970                                      |
| Additional paid-in capital   | 8,840,840                                   | 6,116,420                                   |
| Common stock held in escrow  | 8,441                                       | 39,469                                      |
| Accumulated deficit during development stage   | (8,858,166)                                 | (5,820,572)                                 |
| Total stockholders' equity   | 39,817                                      | 378,287                                     |
| Total liabilities and stockholders' equity   | \$ 576,246                                  | \$ 641,982                                  |

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



HPEV, INC.

(A Development Stage Company)  
Consolidated Statement of Operations

|  | Year Ended<br>December 31,<br>2013<br>(Restated) | Year Ended<br>December 31,<br>2012<br>(Restated) | From inception<br>(March 24,<br>2011)<br>through<br>December 31,<br>2013<br>(Restated) |
|--|--|--|--|
| Revenue  | \$ -   | \$ -   | \$ -   |
| Cost of goods sold   | -  | -  | -  |
| Gross profit   | -  | -  | -  |
| <b>Operating expenses</b>  |  |  |  |
| Director stock Compensation  | -  | (2,650,000)                                      | -  |
| Payroll and related expenses                                       | 29,485   | -  | 29,485   |
| Consulting   | 1,472,444  | 1,902,392  | 4,979,416  |
| Professional fees  | 491,643  | 447,139  | 1,477,261  |
| Research and development   | 486,160  | 242,717  | 843,232  |
| General and administrative   | 395,476  | 110,063  | 547,340  |
| Loss on deposit  | -  | -  | 100,000  |
| Loss on intangible property  | -  | -  | 75,000   |
| Total operating expenses   | 2,875,208  | 52,311   | 8,051,734  |
| <b>Other income and expenses</b>                                   |  |  |  |
| Interest expense   | (182,032)  | (277,545)  | (459,577)  |
| Interest income  | 171  | -  | 171  |
| Finance cost   | -  | (622,522)  | (622,522)  |
| Gain on settlement of debt   | 19,475   | 256,021  | 275,496  |
| Net loss   | \$ (3,037,594)                                   | \$ (696,357)                                     | \$ (8,858,166)   |
| Basic and fully diluted loss per common share                      | \$ (0.07)  | \$ (0.01)  |  |
| Basic and fully diluted weighted average common shares outstanding | 45,327,116                                       | 47,646,411                                       |  |

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

HPEV, INC.

(A Development Stage Company)  
Consolidated Statement of Shareholder's equity

|  | Preferred<br>Stock<br>Shares | Common<br>Stock<br>Shares | Common<br>Stock<br>Amount | Additional<br>Paid-in<br>Capital | Common<br>Stock<br>Held<br>In<br>Escrow | Stock<br>Receivable | Accumulated<br>During<br>Development<br>Stock<br>Deficit<br>Payable | Total<br>Stockholders'<br>Equity |
|--|------------------------------|---------------------------|---------------------------|----------------------------------|---|---------------------|---|----------------------------------|
| Inception,<br>March 24,<br>2011  | -                            | \$ -                      | -                         | \$ -                             | \$ -                                    | -                   | \$ -  | \$ -                             |
| Founder shares<br>April 4, 2011  |                              | 22,000,000                | 22,000                    | -                                | -                                       | -                   | -   | 22,000                           |
| Shares issued<br>for reverse<br>merger April<br>15, 2011   |                              | 23,956,690                | 23,957                    | 8,178,258                        | -                                       | (8,000,000)         | -   | 202,215                          |
| Shares issued<br>for consulting<br>services April<br>1, 2011 @ \$.70                                     |                              | 1,100,000                 | 1,100                     | 768,900                          | -                                       | -                   | -   | 770,000                          |
| Shares issued<br>for consulting<br>services May<br>11, 2011 @<br>\$.75                                   |                              | 1,823,185                 | 1,823                     | 1,365,566                        | -                                       | -                   | -   | 1,367,389                        |
| Shares<br>received<br>through<br>cancellation of<br>shares<br>written-off<br>prior to reverse<br>merger. |                              | (416,750 )                | (417 )                    | 417                              | -                                       | -                   | -   | -                                |
| Shares issued<br>for direct<br>investment<br>November 8,<br>2011 @ \$.33                                 |                              | 150,000                   | 150                       | 49,850                           | -                                       | -                   | -   | 50,000                           |
|  | -                            | -                         | -                         | 108,420                          | -                                       | -                   | -   | 108,420                          |

|   |   |   |             |         |             |   |             |   |             |             |
|---|---|---|-------------|---------|-------------|---|-------------|---|-------------|-------------|
| Options granted for legal services  |   |   |             |         |             |   |             |   |             |             |
| Shares issued to director by shareholder as compensation  | - | - | -           | -       | 2,650,000   | - | -           | - | -           | 2,650,000   |
| Net loss  | - | - | -           | -       | -           | - | -           | - | (5,124,215) | (5,124,215) |
| Balance as of December 31, 2011   | - | - | 48,613,125  | 48,613  | 13,121,411  | - | (8,000,000) | - | (5,124,215) | 45,809      |
| Shares received from rescinded transaction prior to reverse merger February 13, 2012                  |   |   | (1,920,000) | (1,920) | (7,998,080) |   | 8,000,000   |   |             | -           |
| Shares received through cancellation of shares written-off prior to reverse merger. February 17, 2012 |   |   | (83,350)    | (83)    | 83          |   |             |   |             | -           |
| Shares issued for consulting services March 23, 2012 @ \$1.07   |   |   | 1,000,000   | 1,000   | 1,069,000   |   |             |   |             | 1,070,000   |
| Shares returned by director to shareholder April 13, 2012   |   |   |             |         | (2,650,000) |   |             |   |             | (2,650,000) |
| Spirit Bear loan warrants finance cost April 27, 2012   |   |   |             |         | 516,992     |   |             |   |             | 516,992     |



|  |        |        |
|--|--------|--------|
| Spirit Bear<br>loan warrants<br>finance cost<br>May 22, 2012 | 64,560 | 64,560 |
|--|--------|--------|

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|  |        |    |         |         |
|--|--------|----|---------|---------|
| Issuance of warrants of common stock<br>June 1, 2012               |        |    | 99,229  | 99,229  |
| Shares issued for direct investment<br>June 12, 2012 @ \$0.50      | 10,000 | 10 | 4,990   | 5,000   |
| Shares issued for manufacturing services<br>June 12, 2012 @ \$0.75 | 26,666 | 26 | 19,974  | 20,000  |
| Spirit Bear loan warrants finance cost<br>June 28, 2012            |        |    | 1,621   | 1,621   |
| Spirit Bear loan warrants finance cost<br>July 11, 2012            |        |    | 39,349  | 39,349  |
| Issuance of warrants of common stock<br>August 6, 2012             |        |    | 110,029 | 110,029 |
| Spirit Bear penalty warrants finance cost<br>September 30, 2012    |        |    | 68,234  | 68,234  |
| issunace of warrants of common stock<br>November 9, 2012           |        |    | 72,748  | 72,748  |
| Shares issued for direct investment<br>December 5, 2012 @2,500     | 200    | -  | 500,000 | 500,000 |
| Spirit Bear penalty warrants                                       |        |    | 129,179 | 129,179 |

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|   |              |          |            |          |             |          |     |     |               |           |         |
|---|--------------|----------|------------|----------|-------------|----------|-----|-----|---------------|-----------|---------|
| finance cost<br>December 31,<br>2012  |              |          |            |          |             |          |     |     |               |           |         |
| Debt settlement –<br>escrow shares  | (4,676,000 ) | (4,676 ) | (34,793 )  | 39,469   |             |          |     |     |               |           | -       |
| Debt settlement-<br>forgiveness of<br>debt  |              |          |            | 911,894  |             |          |     |     |               |           | 911,894 |
| Officer<br>contributed<br>capital   |              |          |            | 70,000   |             |          |     |     |               |           | 70,000  |
| Net Income  |              |          |            |          |             |          |     |     | (696,357 )    | (696,357) |         |
| Balance as of<br>December 31,<br>2012 (restated)  | 200          | \$-      | 42,970,441 | \$42,970 | \$6,116,420 | \$39,469 | \$- | \$- | \$(5,820,572) | \$378,287 |         |
| Shares issued to<br>settle debt for<br>legal services<br>February 27,<br>2013 @ \$0.26        |              |          | 25,000     | 25       | 6,475       |          |     |     |               |           | 6,500   |
| Shares issued for<br>cashless exercise<br>of option<br>February 27,<br>2013 @ \$.55           |              |          | 90,000     | 90       | (90 )       |          |     |     |               |           | -       |
| Escrow shares<br>returned to<br>treasury and<br>cancelled per<br>debt settlement<br>agreement |              |          |            |          | 31,028      | (31,028) |     |     |               |           | -       |
| Warrant issued<br>for corporate<br>development<br>advisory services<br>May 6, 2013            |              |          |            |          | 245,376     |          |     |     |               |           | 245,376 |
| Shares issued for<br>direct investment<br>May 16, 2013 @<br>\$0.23                            |              |          | 750,000    | 750      | 249,250     |          |     |     |               |           | 250,000 |



|  |         |     |         |  |         |
|--|---------|-----|---------|--|---------|
| Vested Warrants granted as retainer, finance cost, May 28, 2013              |         |     | 103,994 |  | 103,994 |
| Shares issued for direct investment June 10, 2013 @ \$0.237                  | 225,000 | 225 | 99,775  |  | 100,000 |
| Shares issued for direct investment July 1, 2013 @ \$0.45                    | 222,222 | 222 | 99,778  |  | 100,000 |
| Shares issued for direct investment July 1, 2013 @ \$0.45                    | 388,889 | 389 | 174,611 |  | 175,000 |
| Shares issued for direct investment July 1, 2013 @ \$0.45                    | 111,111 | 111 | 49,889  |  | 50,000  |
| Shares issued for direct investment July 9, 2013 @ \$0.45                    | 111,111 | 111 | 49,889  |  | 50,000  |
| Shares issued for direct investment July 10, 2013 @ \$0.444                  | 225,000 | 225 | 99,775  |  | 100,000 |
| Shares issued for conversion of preferred shares July 12, 2013 @ \$0.50 (1 ) | 50,000  | 50  | (50 )   |  | -       |
| Shares issued for direct investment July 15, 2013 @ \$0.45                   | 111,111 | 111 | 49,889  |  | 50,000  |
| Shares issued for direct investment July 16, 2013 @ \$0.45                   | 111,111 | 111 | 49,889  |  | 50,000  |
| Shares issued for direct investment July 16, 2013 @ \$0.45                   | 222,222 | 222 | 99,778  |  | 100,000 |
| Shares issued for direct investment July                                     | 222,222 | 222 | 99,778  |  | 100,000 |

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|  |         |     |        |         |
|--|---------|-----|--------|---------|
| 16, 2013 @ \$0.45  |         |     |        |         |
| Shares issued for<br>direct investment July<br>16, 2013 @ \$0.45     | 222,222 | 222 | 99,778 | 100,000 |
| Shares issued for<br>direct investment July<br>17, 2013 @ \$0.45     | 111,111 | 111 | 49,889 | 50,000  |
| Shares issued for<br>direct investment July<br>17, 2013 @ \$0.45     | 166,666 | 167 | 74,833 | 75,000  |
| Shares issued for<br>direct investment July<br>19, 2013 @ \$0.45     | 55,555  | 56  | 24,944 | 25,000  |
| Shares issued for<br>direct investment July<br>22, 2013 @ \$0.450    | 55,555  | 56  | 24,944 | 25,000  |
| Shares issued for<br>direct investment July<br>22, 2013 @ \$0.45     | 55,555  | 56  | 24,944 | 25,000  |
| Shares issued for<br>direct investment July<br>22, 2013 @ \$0.45     | 55,555  | 56  | 24,944 | 25,000  |
| Shares issued for<br>direct investment<br>August 2, 2013 @<br>\$0.45 | 111,111 | 111 | 49,889 | 50,000  |

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|   |         |     |         |         |
|---|---------|-----|---------|---------|
| Shares issued for direct investment August 12, 2013 @ \$0.45            | 166,667 | 167 | 74,833  | 75,000  |
| Shares issued for direct investment August 13, 2013 @ \$0.45            | 111,111 | 111 | 49,889  | 50,000  |
| Shares issued for direct investment August 14, 2013 @ \$0.45            | 336,956 | 337 | (337 )  | -       |
| Shares issued for cashless exercise of warrant August 19, 2013 @ \$0.45 | 48,328  | 48  | (48 )   | -       |
| Shares issued for direct investment August 19, 2013 @ \$0.45            | 111,111 | 111 | 49,889  | 50,000  |
| Shares issued for direct investment August 21, 2013 @ \$0.45            | 55,555  | 56  | 24,944  | 25,000  |
| Shares issued for direct investment September 9, 2013 @ \$0.45          | 196,875 | 197 | (197 )  | -       |
| Spirit Bear penalty warrants finance cost October 6, 2013               |         |     | 174,977 | 174,977 |

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|   |         |     |        |         |
|---|---------|-----|--------|---------|
| Shares issued for direct investment October 11, 2013 @ \$0.45         | 222,222 | 222 | 99,778 | 100,000 |
| Shares issued for direct investment December 17, 2013 @ \$0.30        | 166,667 | 167 | 45,833 | 46,000  |
| Shares issued for direct investment December 17, 2013 @ \$0.30        | 100,000 | 100 | 27,500 | 27,600  |
| Shares issued for direct investment December 17, 2013 @ \$0.30        | 166,667 | 167 | 45,833 | 46,000  |
| Shares issued for direct investment December 17, 2013 @ \$0.30        | 100,000 | 100 | 27,500 | 27,600  |
| Shares issued for direct investment December 17, 2013 @ \$0.45        | 125,000 | 125 | 49,875 | 50,000  |
| Warrants issued as commission, finance cost, December 18, 2013        |         |     | 21,277 | 21,277  |
| Warrants granted for service to be provided December 20, 2013 @ \$.50 |         |     | 99,750 | 99,750  |
| Shares issued for direct  | 125,000 | 125 | 49,875 | 50,000  |



investment  
December 22,  
2013 @ \$0.45

Net loss  
(restated) (3,037,594) (3,037,594)

Balance as of  
December 31,  
2013 (restated) \$199 \$- \$48,700,929 \$48,702 \$8,840,840 \$8,441 \$- \$- \$(8,858,166) \$39,817

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

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HPEV, INC.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows

|   | Year<br>Ended<br>Dec. 31,<br>2013<br>(Restated) | Year<br>Ended<br>Dec. 31,<br>2012<br>(Restated) | From<br>March 24,<br>2011<br>(Date of<br>Inception)<br>Through<br>Dec. 31,<br>2013<br>(Restated) |
|---|---|---|--|
| <b>Operating Activities:</b>  |   |   |  |
| Net loss  | \$ (3,037,594)                                  | \$ (696,357)                                    | \$ (8,858,166)   |
| Adjustments to reconcile net loss to net cash used by operating activities: |   |   |  |
| Stock issued to founder   | -   | -   | 22,000   |
| Stock issued for consulting services  | 373,679   | 1,627,910                                       | 3,602,391  |
| Gain on settlement of debt  | (19,475)  | (256,021)                                       | (275,496)  |
| Warrants issued for loan penalty  | -   | 197,413   | 197,413  |
| Warrants issued for services  | 470,447   | -   | 470,447  |
| Warrants issued for interest  | 174,977   | 282,006   | 565,403  |
| Director stock compensation from shareholder                                | -   | (2,650,000)                                     | -  |
| Amortization of financing cost  | -   | 622,522   | 622,522  |
| Impairment of intangible asset and deposit                                  | -   | -   | 175,000  |
| Changes in operating assets and liabilities:                                |   |   |  |
| Increase in accrued interest  | -   | 6,021   | 6,021  |
| Increase in accrued payroll and related costs                               | 10,428  | -   | 10,428   |
| Increase in accounts payable related party                                  | 220,259   | 52,305  | 272,564  |
| Increase in accounts payable  | 79,222  | 143,579   | 314,865  |
| Net cash used by operating activities                                       | (1,728,057)                                     | (670,622)                                       | (2,874,608)  |
| <b>Investing Activities:</b>  |   |   |  |
| Increase of intangible assets   | (25,115)  | (29,018)  | (98,697)   |
| Cash acquired through reverse merger  | -   | -   | 37   |
| Net cash used by investing activities                                       | (25,115)  | (29,018)  | (98,660)   |
| <b>Financing Activities:</b>  |   |   |  |
| Proceeds from sale of common stock  | 2,047,200                                       | 5,000   | 2,102,200  |
| Proceeds from sale of preferred stock                                       | -   | 500,000   | 500,000  |
| Proceeds from loans payable   | -   | -   | -  |
| Proceeds from notes payable   | -   | 439,722   | 439,722  |
| Payments on notes payable   | -   | (189,722)                                       | (189,722)  |
| Proceeds from notes payable – related party                                 | 900   | 62,200  | 611,507  |
| Payments on notes payable – related party                                   | (12,100)  | (1,200)   | (13,300)   |
| Bank overdraft  | -   | -   | 410  |
| Net cash provided by financing activities                                   | 2,036,000                                       | 816,000   | 3,450,817  |
| Net increase in cash  | 282,828   | 116,360   | 477,549  |

|   |             |                |              |
|---|-------------|----------------|--------------|
| Cash, beginning of period                             | 194,721     | 78,361         | -            |
| Cash, end of period                                   | 477,549     | 194,721        | 477,549      |
| <b>Supplemental Information</b>                       |             |                |              |
| Interest paid with cash                               | \$ -        | \$ 1,327       | \$ 1,327     |
| <b>Supplemental schedule of non – cash activities</b> |             |                |              |
| Shares issued to settle accounts payable              | \$ (25,974) | \$ -           | \$ (25,974)  |
| Shares held in escrow                                 | \$ (31,028) | \$ -           | \$ (31,028)  |
| Accrued interest forgiven                             | \$ -        | \$ 6,021       | \$ 6,021     |
| Related party accrued salary forgiven                 | \$ -        | \$ 70,000      | \$ 70,000    |
| Related party notes payable forgiven                  | \$ -        | \$ 911,894     | \$ 911,894   |
| Shares issued for services                            | \$ -        | \$ 446,427     | \$ 1,358,016 |
| Warrants issued for services                          | \$ 245,376  | \$ -           | \$ 245,376   |
| Common stock receivable                               | \$ -        | \$ (8,000,000) | \$ -         |
| <b>Assumed as part of reverse merger</b>              |             |                |              |
| Intangible assets                                     | \$ -        | \$ -           | \$ 75,000    |
| Deposit   | \$ -        | \$ -           | \$ 100,000   |
| Prepaid asset   | \$ -        | \$ -           | \$ 375,002   |
| Accounts payable                                      | \$ -        | \$ -           | \$ (11,637)  |
| Notes payable – related party                         | \$ -        | \$ -           | \$ (336,187) |
| Shares issued for prepaid services                    | \$ -        | \$ 1,090,000   | \$ 1,090,000 |

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

HPEV, INC.

(A Nevada Corporation)  
Notes to the Consolidated Financial Statements  
December 31, 2013

#### NOTE 1 – DESCRIPTION OF BUSINESS

HPEV, Inc., a Nevada corporation (formerly known as Bibb Corporation and Z3 Enterprises) (hereinafter referred to as “HPEV” or “The Company”), was incorporated in the State of Nevada on July 22, 2002.

The Company’s principal operations were to produce fully integrated multi-media products targeting the marginally literate. The Company changed its focus to educational entertainment and reality show programming; feature films and special event marketing upon entering into a Joint Venture Agreement (the “Joint Venture Agreement”) with Phoenix Productions and Entertainment Group (PPEG) in September 2010.

From September 2010 through March 2011, Z3E pursued business opportunities, but agreements were never fulfilled and the entertainment projects have been terminated.

On March 29, 2011, Z3 Enterprises entered into a Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV Inc. (“HPEV”) in consideration for the issuance of 22,000,000 shares of Z3E common stock. Upon closing of the Share Exchange on April 15, 2011, HPEV became a wholly owned subsidiary of Z3E.

The terms of the Share Exchange Agreement required the current board of directors of Z3E (the “Board”) to designate Quentin Ponder and Timothy Hassett as directors of Z3E, as well as two other directors to be named later by HPEV.

On April 5, 2012, the Company amended its Articles of Incorporation to change its name from Z3 Enterprises, Inc. to HPEV, Inc. On the same date, the board appointed Timothy Hassett as Chief Executive Officer, Quentin Ponder as Chief Financial Officer (he remains Treasurer), Theodore Banzhaf as President and Judson Bibb as Vice President (he remains Secretary).

On April 6, 2012, the Board of Directors amended the bylaws. Specifically, they voted to increase the number of directors, to enable the filling of vacancies on the board of directors by majority vote of the remaining directors or director and to appoint Timothy Hassett and Quentin Ponder to serve as Chairman of the Board and Vice Chairman, respectively.

Control of Z3E changed hands on April 15, 2011 with the issuance of 21,880,000 shares of Z3E common stock to the original shareholders of HPEV pursuant to the terms of the as amended Share Exchange Agreement. An additional 120,000 shares were issued on December 14, 2011 which completed the issuance of 22,000,000 shares of Z3E common stock to HPEV, Inc. under the terms of the as-amended Share Exchange Agreement.

For accounting purposes, the acquisition of HPEV, Inc. by Z3 Enterprises, Inc. has been recorded as a reverse acquisition of a public company and recapitalization of Z3 Enterprises, Inc. based on factors demonstrating that HPEV represents the accounting acquirer.

HPEV was incorporated under the laws of the State of Delaware on March 25, 2011 to commercialize the technology from patents developed by two of its shareholders. Activities during its start-up stage were nominal.

Subsequent to the closing of the Share Exchange, Z3E changed its business focus to attempting to commercialize the HPEV technologies in a variety of markets by licensing its heat pipe technologies to electric motor, generator and vehicle component manufacturers. The Company also plans to license its hybrid conversion system to fleet owners and service centers.

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Effective April 23, 2012, the Financial Industry Regulatory Authority (“FINRA”) approved the Company’s name change and the symbol change from BIBB to WARM.

Pursuant to the Securities Purchase Agreement with Spirit Bear Limited, (See Note 5), Jay Palmer and Carrie Dwyer were appointed to our board of directors effective February 20, 2013 and Donica Holt was appointed to our board of directors on March 7, 2013.

On May 5, 2011, a total of 7 patents (1 granted, 6 pending) were assigned to HPEV by Thermal Motors Innovations, LLC, a company controlled by the developers of the patents. Since then, additional patents have been awarded and filed. Therefore, as of March 26, 2014, our subsidiary, HPEV, owns the rights to five patents, and five patent-applications pending with two remaining to be assigned. See Note 5 – Intellectual Property.

The patents and patents-pending owned by HPEV cover composite heat pipes and their applications, a parallel power platform and a parallel power gearing system. The utilization of composite heat pipes should increase the horsepower of electric motors and enhance the lifespan and effectiveness of heat-producing vehicle components. The parallel power platform enables vehicles to alternate between two sources of power and forms the basis of the electric load assist delivered to the engine. The parallel power input gearing unit enables vehicles to run an on-board generator to deliver mobile electric power.

The Company intends to license heat pipe technology to manufacturers of electric motors and generators as well as vehicle parts such as brakes, resistors and calipers. It also plans to commercialize the patents by implementing and licensing a plug-in hybrid electric vehicle conversion system based on the parallel vehicle platform.

The Company is currently sourcing or commissioning the components to perform its initial conversion. The conversion, if successful, will be used to showcase the effectiveness of the technology, generate data and function as a marketing tool to generate orders. The target markets include commercial and fleet vehicles ranging from heavy duty pick-ups to tractor-trailer trucks and buses.

The parallel power input gearing unit forms the basis of the Company’s Mobile Generator (MG) system. The Company is currently negotiating with a number of fleet owners and manufacturers to install the MG system into their work vehicles.

To facilitate the incorporation of the Company’s heat pipe technology in industrial electric motors and generators, the Company has signed product development agreements with two multi-national manufacturers.

To prove the effectiveness of heat pipe technology under extreme conditions, the Company has signed agreements with racing teams to test its technology in high performance vehicle components.

As operations have consisted of general administrative and pre-production activities, HPEV, Inc. is considered a development stage company in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 915.

On December 9, 2011, Z3E and PPEG mutually agreed to dissolve their Joint Venture Agreement. The reason was due to a change in business direction by Z3E as a result of its acquisition of HPEV, Inc. The Joint Venture Agreement did not provide for any termination penalties.

## NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of approximately \$8,858,166 during the period from March 24, 2011 (Date of Inception) through December 31, 2013 and has not fully commenced its operations. The Company is still in the development stages, raising substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and repay its liabilities arising from normal business operations when they come due. At this time, the Company is no longer seeking additional sources of capital through the issuance of debt, equity, or joint venture agreements, but there can be no assurance the Company will be successful in accomplishing its objectives.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

As of the filing date of this report on Form 10-K, management believes that it has adequate funding to ensure completion of the initial phases of its business plan: to license its thermal technologies and applications; to license or sell a mobile electric power system powered by the Company's proprietary gearing system; and to license a plug-in hybrid conversion system for heavy duty trucks, buses and tractor trailers.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of HPEV, Inc. is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the consolidated financial statements.

### Basis of Presentation

The accompanying audited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. All references to Generally Accepted Accounting Principles ("GAAP") are in accordance with The FASB Accounting Standards Codification ("ASC") and the Hierarchy of Generally Accepted Accounting Principles.

### Cash

The Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents. There are \$477,549 and \$194,721 in cash as of December 31, 2013 and December 31, 2012, respectively.

### Revenue Recognition

The Company recognizes revenue on arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" and No. 104, "Revenue Recognition". In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability is reasonably assured. For the periods ended December 31, 2013 and 2012, and for the period from inception to December 31, 2013, the Company did not report any revenues.





## Earnings per Share

The Company has adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 260-10 which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. As of December 31, 2013, 199 preferred shares (which can be converted into common shares at a ratio of 1 to 50,000) and 14,871,336 warrants were outstanding.

## Fair Value of Financial Instruments

The carrying amounts reflected in the balance sheets for cash, accounts payable, prepaid assets and accrued expenses approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

## Income Taxes

The Company provides for federal and state income taxes payable, as well as for those deferred because of the timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable or settled. The effect of a change in tax rates is recognized as income or expense in the period of the change. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more likely than not to be realized.

Upon inception, the Company adopted the provisions of ASC 740-10. The Company did not recognize a liability as a result of the implementation of ASC 740-10. A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there is no unrecognized benefit as of the date of adoption. The Company did not recognize interest expense or penalties as a result of the implementation of ASC 740-10. If there were an unrecognized tax benefit, the Company would recognize interest related to unrecognized tax benefits in interest expense and penalties in other operating expenses.

#### Employee Stock Based Compensation

ASC 718-10 provides investors and other users of financial statements with more complete and neutral financial information, by requiring that the compensation cost relating to share-based payment transactions be recognized in the condensed, consolidated financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. ASC 718-10 covers a wide range of share-based compensation arrangements, including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As of December 31, 2013, the Company has not implemented an employee stock based compensation plan.

#### Non-Employee Stock Based Compensation

The Company accounts for stock based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in ASC 505-50. The Company issues compensatory shares for services including, but not limited to, executive, management, accounting, operations, corporate communication, financial and administrative consulting services.

#### Long-lived Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounts Standard Codification (ASC) ASC 360-10, "Property, Plant and Equipment," the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

#### Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the condensed, consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### Recent accounting standards

The Company has evaluated the recent accounting pronouncements through ASU 2014-05 and believes that none of them will have a material effect on the Company's consolidated financial statements.



## Restatement

Upon completing the Company's March 31, 2014 financial statements, an accounting error was discovered that misstated certain balance sheet and income statement amounts previously reported as of December 31, 2013. It was discovered that 200,000 warrants to be issued to Monarch Bay per the May 28, 2013 agreement had been treated as fully vested as of December 31, 2013, it was subsequently determined that Monarch Bay had not meet its contractual obligations as of December 31, 2013 and the warrants had not vested, causing the Company's financial statements as of December 31, 2013 to over-report consulting expense and over-report additional paid in capital by \$103,944, respectively.

The following is a summary of the impact of these restatements on the Company's Consolidated Balance Sheet at December 31, 2013:

|                            | December 31, 2013<br>As previously<br>reported | Error<br>correction |     | As restated    |
|----------------------------|--|---------------------|-----|----------------|
| Additional paid-in capital | \$ 8,944,784                                   | \$ (103,944 )       | (a) | \$ 8,840,840   |
| Accumulated deficit        | \$ (8,962,110)                                 | \$ 103,944          | (a) | \$ (8,858,166) |

(a) To correct errors due to over recognition of expenses related to non-vested warrants.

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Operations for the year ending December 31, 2013:

|                          | December 31, 2013<br>As previously<br>reported | Error<br>correction |     | As restated    |
|--------------------------|--|---------------------|-----|----------------|
| Consulting Expense       | \$ 1,576,388                                   | \$ (103,944 )       | (a) | \$ 1,472,444   |
| Total operating expenses | \$ 2,979,152                                   | \$ (103,944 )       | (a) | \$ 2,875,208   |
| Net Loss                 | \$ (3,141,538)                                 | \$ 103,944          | (a) | \$ (3,037,594) |

(a) To correct errors due to over recognition of expenses related to non-vested warrants.

(b) The restatement had no material impact on the reported basic and fully diluted loss per common share

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Operations from inception (March 24, 2011) to December 31, 2013:

|                          | As previously reported | December 31, 2013<br>Error correction |     | As restated    |
|--------------------------|------------------------|---------------------------------------|-----|----------------|
| Consulting Expense       | \$ 5,083,360           | \$ (103,944 )                         | (a) | \$ 4,979,416   |
| Total operating expenses | \$ 8,155,678           | \$ (103,944 )                         | (a) | \$ 8,051,734   |
| Net Loss                 | \$ (8,962,110)         | \$ 103,944                            | (a) | \$ (8,858,166) |

(a) To correct errors due to over recognition of expenses related to non-vested warrants.

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Shareholder's Equity from inception (March 24, 2011) to December 31, 2013:

|                            | December 31, 2013<br>As previously reported | Error correction |     | As restated    |
|----------------------------|---|------------------|-----|----------------|
| Additional paid-in capital | \$ 8,944,784                                | \$ (103,944 )    | (a) | \$ 8,840,840   |
| Accumulated deficit        | \$ (8,962,110)                              | \$ 103,944       | (a) | \$ (8,858,166) |

(a) To correct errors due to over recognition of expenses related to non-vested warrants.

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Cash Flows for the year ending December 31, 2013:

|                              | As previously reported | December 31, 2013<br>Error correction |     | As restated    |
|------------------------------|------------------------|---------------------------------------|-----|----------------|
| Net loss                     | \$ (3,141,538)         | \$ 103,944                            | (a) | \$ (3,037,594) |
| Warrants issued for services | \$ 574,391             | \$ (103,944 )                         | (a) | \$ 470,447     |

(a) To correct errors due to over recognition of expenses related to non-vested warrants.

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Cash Flows from inception (March 24, 2011) to December 31, 2013:

|                              | As previously reported | December 31, 2013<br>Error correction |     | As restated    |
|------------------------------|------------------------|---------------------------------------|-----|----------------|
| Net loss                     | \$ (8,962,110)         | \$ 103,944                            | (a) | \$ (8,858,166) |
| Warrants issued for services | \$ 574,391             | \$ (103,944 )                         | (a) | \$ 470,447     |

(a) To correct errors due to over recognition of expenses related to non-vested warrants.

#### NOTE 4 – PREPAID EXPENSE

On May 11, 2011, 1,823,185 common shares valued at \$0.75 per share were issued to Capital Group Communication, Inc. in exchange for investor relations services valued at \$1,367,389. The services are for a 24 month term. During the 12 months ended December 31, 2013 \$245,045 was accreted and recorded as consulting expense.

On March 23, 2012, 1,000,000 shares of restricted common stock valued at \$1.07 per were to Lagoon Labs, LLC in exchange for consultations with management as well as providing investor communications and public relations, with an emphasis on digital and social media. During the 12 months ended December 31, 2013 \$128,634 was accreted and recorded as consulting expense.

#### NOTE 5 – INTELLECTUAL PROPERTY

As of December 31, 2013, HPEV Inc.'s wholly owned subsidiary was assigned the rights to five patents and five patents-pending with two remaining to be assigned. The issued patents and the majority of the patents-pending relate to the utilization of heat pipes to remove heat from various types of electric motors, generators and a brake resistor. By removing heat in a more efficient manner, the heat pipes provide lower costs, improved performance benefits and longer product life. Another patent-pending is an electric load assist that makes it possible for plug-in hybrid electric vehicles to utilize power in any combination from the gas or diesel engine and an electric motor installed on-board. The patent-pending for the parallel power input gearbox enables work vehicles to run an on-board generator which provides mobile electric power. The direct cost (since inception) for legal services related to the patents was \$98,697. This amount has been capitalized as an intangible asset.



NOTE 6 – NOTES PAYABLE

On September 7, 2010, the Company entered into a loan agreement with Phoenix Productions and Entertainment Group (“PPEG”) for an interest-free loan up to \$1,000,000 (the “PPEG Loan Agreement”). Up to December 21, 2012, the Company borrowed an aggregate of \$911,894 under the PPEG Loan Agreement which was used for the Company’s operations, potential acquisitions, acquisition of intellectual property rights and HPEV, Inc.

On March 3, 2012, the Company entered into a loan agreement with Action Media Group, LLC, an Arizona limited liability company (“Action Media”) for \$500,000 but under which it only borrowed \$250,000. The terms of the loan included 3% annual interest and payment of principal and interest to begin upon a mutual agreed upon date in the future. Maturity of the loan was perpetual or upon mutual agreement of both parties or if conditions were breached or in default.

In April, May, June and July of 2012, Spirit Bear Limited made cash advances for and funded loans to the Company in the total amount of \$186,222, creating direct financial obligations of the Company. On August 8, 2012, the Company and Spirit Bear reached a definitive agreement concerning the terms of the loans, including the Company’s obligations to repay Spirit Bear within 180 days from each date of funding, and the Company’s obligation to issue warrants to Spirit Bear to purchase 3.5714 shares of common stock per dollar of consideration provided by Spirit Bear, subject to certain adjustments, at the per share price of \$.35, as partial consideration for the loans. The warrants granted to Spirit Bear totaled 665,374 shares. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.33%; dividend yield of 0% and expected volatility of 250%. These options were valued at \$622,523 and the aggregate value was capitalized as a financing cost and was accreted and charged to financing cost expense in the amount of \$622,523 during the year ending December 31, 2012.

In the event payment is not made within 90 days of the receipt of each loan, the Company was required to provide penalty warrants. On December 14, 2012, the penalty warrants for all four loans owed to Spirit Bear totaled 819,223. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 245%. These options were charged to interest expense in the amount of \$197,413 during the year ending December 31, 2012.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear 200 shares of the Company’s Series A Convertible Preferred Stock (the “Preferred Stock”) and 3 sets of warrants to purchase an aggregate of 2,000,000 shares of the Company’s common stock at the respective exercise prices of \$0.35, \$0.50 and \$0.75 per share (See Note 5). The aggregate purchase price for sale of the Preferred Stock and warrants was \$500,000, of which \$313,777 was paid in cash and \$186,222 was paid by cancelation of \$186,222 in outstanding indebtedness held by Spirit Bear.

On December 11, 2012, the Company concluded negotiations on a debt settlement agreement by and among the Company, PPEG, Action Media (PPEG and Action Media collectively, the “Debt Holders”) and Spirit Bear. To help induce Spirit Bear to invest in the Company, the Debt Holders agreed to forgive debt of \$1,161,894 and accrued interest owed to them by the Company (the “Debt”) and release the Company of (i) any future liability or claim related to the Debt, (ii) any future liability or claim related to shares of any class of equity in the Company, and (iii) any obligation or liability of the Company.

Pursuant to the Debt Settlement Agreement, \$911,894 outstanding under the PPEG Loan Agreement was forgiven. Action Media agreed to forgive all outstanding debt and accrued interest under the loan. The Debt Holders also agreed to deposit 4,676,000 shares of common stock in escrow. Upon the filing of a registration statement with the SEC,



3,676,000 shares were to be cancelled and returned to treasury (See Note 11). The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share at the rate of \$10,000 per month commencing within 90 days after HPEV achieves \$1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the \$400,000 on a pro rata basis based on each company's respective amount of debt forgiven.

Pursuant to the Debt Settlement Agreement signed with Phoenix Productions and Entertainment Group, Action Media Group and Spirit Bear Limited signed on December 11, 2012, 3,676,000 shares of common stock that were being held in escrow were cancelled on January 14, 2013. That left 1,000,000 shares remaining in escrow and a total of 43,970,411 shares of common stock outstanding.

## NOTE 7 – COMMITMENTS

As part of the debt settlement agreement on December 11, 2012 with PPEG and AM, the debt holders were to return to escrow a total of 4,676,000 of which, 3,676,000 of these share were returned to the Company and cancelled on January 14, 2013 after the filing of an S-1 registration statement with the SEC on January 11, 2013. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share at the rate of \$10,000 per month commencing within 90 days after HPEV achieves \$1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the \$400,000 on a pro rata basis based on each company's respective amount of debt forgiven. The historical cost of the shares held in escrow are reflected in equity as shares held in escrow.

## NOTE 8 – LOSS PER SHARE

Components of net loss per share for the year ended December 31, 2013 and 2012 are as follows:

|  | For the Year<br>Ended<br>December 31,<br>2013 | For the Year<br>Ended<br>December 31,<br>2012<br>(Restated) |
|--|---|---|
| Net income (loss) attributable to common stockholders              | \$ (3,037,594)                                | \$ (696,357)  |
| Basic and fully diluted loss per common share                      | \$ (0.07)                                     | \$ (0.01)   |
| Basic and fully diluted weighted average common shares outstanding | 45,327,116                                    | 47,646,411  |

Basic loss per share is computed by dividing loss to common stockholders by the weighted average number of common shares outstanding (including shares reserved for issuance) during the period. Diluted loss per share includes potentially dilutive securities such as warrants and converted notes using various methods such as the treasury stock or modified treasury stock method in the determination of dilutive shares outstanding during each reporting period. The equity instruments attached to the warrants were not included in the loss per share calculations because inclusion would have been anti-dilutive.

## NOTE 9 – STOCKHOLDERS DEFICIT

## Preferred Stock

The Company has 15,000,000 preferred shares authorized and 199 Series A Convertible Preferred Stock, issued and outstanding as of December 31, 2013.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear Limited (“Spirit Bear”) pursuant to which it sold to Spirit Bear 200 shares of the Company’s Series A Convertible Preferred Stock. Each share of the Preferred Stock was initially convertible into 20,000 shares of Company’s common stock and, under certain circumstances, the Preferred Stock is convertible into Senior Convertible Notes. The Conversion Price of the Preferred Stock is equal to the \$2,500.



In addition to the preferred stock, the Securities Purchase Agreement included warrants to purchase (i) 2,000,000 shares of the Company's common stock at an exercise price of \$0.35 per share (subject to adjustment as provided in the warrant); (ii) 2,000,000 shares of the Company's common stock at an exercise price of \$.50 per share (subject to adjustment as provided in the warrant); (iii) 2,000,000 shares of the Company's common stock at an exercise of \$.75 per share (subject to adjustment as provided in the warrant). The purchase price for sale of the preferred stock and warrants was \$500,000, of which \$313,777 was paid in cash and \$186,222 was paid by cancelation of \$186,222 in outstanding indebtedness held by Spirit Bear.

The Company and Spirit Bear also entered into a Registration Rights Agreement, dated December 14, 2012. Pursuant to the Registration Rights Agreement, the Company shall file a registration statement to register the shares issuable upon conversion of the Preferred Stock and the Debenture (described below) and the shares issuable upon the exercise of the Warrants. If the Registration Statement was not filed within thirty days of the Closing Date, then the number of Warrant Shares would be increased by 500,000 to 6,500,000. If the Securities and Exchange Commission had not declared the Registration Statement effective within 120 days of the Closing Date, then the Company would have to pay to each holder of Preferred Shares an amount in cash per Preferred Share held equal to the product of (i) \$5,000 multiplied by (ii) the product of (A) .02 multiplied by (B) the number of months after the Effectiveness Deadline that the Registration Statement is not declared effective by the SEC.

In connection with the sale of the Preferred Stock, on December 17, 2012, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation of the Rights, Preferences, Privileges and Restrictions, which have not been set forth in the Certificate of Incorporation of the Series A Convertible Preferred Stock (the "Certificate of Designation").

The Preferred Stock has voting rights as if each share of Series A Convertible Preferred Stock were converted into twenty thousand (20,000) shares of Common Stock (subsequently raised to 50,000. shares as described below).

The holders of each share of Preferred Stock then outstanding shall be entitled to be paid, out of the Available Funds and Assets (as defined in the "Certificate of Designation"), and prior and in preference to any payment or distribution (or any setting apart of any payment or distribution) of any Available Funds and Assets (as defined in the "Certificate of Designation") on any shares of Common Stock, an amount per share equal to the Liquidation Price (\$2,500 per share of the Preferred Stock) of the Series A Convertible Preferred Stock.

In the event a Registration Statement has not been declared effective by the United States Securities Exchange Commission within 180 calendar days from and after the Closing Date, the holders of at least two-thirds (2/3) of the then outstanding shares of Series A Convertible Preferred Stock may deliver a written notice to the Company electing the conversion of all Series A Convertible Preferred Stock to Debentures. Upon receipt of such notice, the outstanding shares of Series A Convertible Preferred Stock shall be converted to Debentures and as a result the Company would issue Debentures having a principal amount of up to \$1,000,000.

Pursuant to the Securities Purchase Agreement, which was subsequently amended in an April 12, 2013 Agreement, the Company may sell Spirit Bear up to 200 additional shares of Preferred Stock and warrants to purchase up to 6,000,000 shares of the Company's common stock. The Company shall have the option to require Spirit Bear to purchase up to these additional Two Hundred (200) Preferred Shares and associated Warrants at a Subsequent Closing in the event that written certification ("Certification Notice") shall have been received by the Company from a federally licensed testing facility reasonably acceptable to Spirit Bear (subsequently amended in the April 12, 2013 Agreement to read 'Mohler Technology, Inc., or a similar federally licensed testing facility acceptable to the Company'), evidencing that either (i) three motors or alternators or (ii) two motors and one AMP system (each motor, alternator or AMP system modified and tested pursuant to a distinct Memorandum of Understanding or other form of agreement) incorporating the Company's technology have been comprehensively tested in accordance with applicable NEMA,

ANSI and IEEE standards and that the results of these tests meet or exceed the minimum requirements for certification under those standards; that those same motors, alternators or system incorporating the Company's technology have passed tests with respect to (i) IEEE 112 in Methods E, E1, F or F1 with a maximum horsepower of 4,000 (or to be determined by agreement) for F or F1 , (ii) sound pressure testing to IEEE 85 and NEMA MG1 20 standards, (iii) bearing temperature testing, (iv) speed versus torque/current testing, (v) polarization index testing per IEEE 45 standards, and (vi) IEEE 112 Method B for full efficiency; and that testing evidences an improvement in power density of at least Twelve Percent (12.00%) compared to the same motor not incorporating HPEV technology. The Company shall give Spirit Bear at least seven business days' notice of any subsequent closing. In the event the Company shall not have received the Certification Notice by December 14, 2013, Spirit Bear shall, commencing on December 14, 2013, have a twelve (12) month option, exercisable during such period at its sole discretion by delivery of written notice to the Company, to purchase the additional Two Hundred (200) Preferred Shares and associated Warrants in a Subsequent Closing to be held within seven (7) days of such notice.

In connection with the sale of the Preferred Stock and Warrants, the Company and Spirit Bear entered into a Patent and Securities Agreement. Pursuant to the Patent and Security Agreement, the Company may, under certain circumstances, grant to Spirit Bear a security interest in certain patents set forth in the Patent and Security Agreement.

On February 20, 2013, the Board of Directors, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, voted to decrease the milestone prices of the five options to purchase one million shares that would be granted to the President, Mr. Banzhaf, assuming the respective milestone prices are achieved. The milestone stock prices were reduced to \$2.00, \$3.00, \$4.00, \$4.50 and \$5.00 for 20 consecutive trading days each. These milestone stock prices have been changed from \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Once the stock has traded at or above these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at the closing price on the first day after the stock has traded for 20 consecutive days at or above each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause.

The board, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, also granted Judson Bibb an option to purchase 2,000,000 shares of the Company's common stock, at a purchase price of par value or \$0.001 per share. The options expire one year after Mr. Bibb has been terminated without cause. The options can be exercised on a cashless basis.

Despite electing two new board members at the first board meeting subsequent to the date the SPA was closed, the Company received another letter from counsel to Spirit Bear on March 7, 2013 indicating that the Company was still in default of its obligations under the SPA and the compensation authorized by the Board on February 20, 2013 (as disclosed in the Current Report on Form 8-K filed February 26, 2013) was self-dealing and resulted in the anti-dilution provision provided for in the SPA.

On March 21, 2013, the Company and Judson Bibb signed an agreement rescinding the options granted.

On March 24, 2013, the Company and Theodore Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase one million shares as well as the cashless exercise thereof awarded to the President.

On April 12, 2013, the Company and Spirit Bear Limited reached agreement regarding the settlement of allegations that the Company did not perform certain obligations pursuant to the Securities Purchase Agreement dated December 14, 2012 with Spirit Bear, and with respect to certain actions taken by the Company with respect to providing compensation to its management. Spirit Bear agreed to discharge the Company from all claims Spirit Bear may have had as well as to forgo all actions of any kind related to those claims which existed on or prior to April 12, 2013. Both parties also agreed that the signing of the agreement did not constitute an admission of wrongdoing or liability.

To satisfy the allegations, the Company and Spirit Bear agreed to amend the Certificate of Designation to provide that each share of Series A Convertible Preferred Stock can be converted into 50,000 shares of common stock and have the voting rights equal to 50,000 shares.

On June 24, 2013, as contemplated by the April 12, 2013 Agreement, an Amendment to the Certificate of Designation was filed with the Secretary of State of the State of Nevada. The amendment effectuated the change (i) to the conversion rate of each share of Series A Preferred Stock from being convertible at the rate of 20,000 shares to 50,000 shares of common stock and (ii) to the voting right of each share of Series A Preferred Stock from 20,000 shares to 50,000 shares of the common stock. There are currently 199 shares of Series A Preferred Stock issued and outstanding, all which are held by Spirit Bear Limited and its assignees.

The Company and the holders of the Series A Preferred Stock also amended the bylaws of the Company to provide that the Board shall, irrespective of the number of members, at all times be composed of an even number of members of which at least 50% shall be individuals designated by Spirit Bear. If Spirit Bear does not respond to a written request to designate one or more nominees to the Board within 10 days, this right shall no longer have any effect until the number of directors of the Board shall change thereafter (whether by resignation, appointment, removal or otherwise). This right survives until the earlier of December 14, 2015 and the date that Spirit Bear ceases to be an affiliate of the Company.

#### Common Stock and Warrants

On February 11, 2012, the Board of Directors authorized the issuance of 1,000,000 shares of restricted common stock to Lagoon Labs, LLC in exchange for consultations with management as well as providing investor communications and public relations, with an emphasis on digital and social media, for 12 months. The shares were issued on March 23, 2012.

On February 17, 2012 an additional 83,350 shares belonging to IFMT, Inc. were returned to the transfer agent and cancelled. The shares were originally issued as part of the Usee transaction which was subsequently terminated. Prior to the reverse merger with HPEV, Inc. the Company entered into an acquisition agreement with Usee, Inc. and Usee CA, Inc. Upon further due diligence investigation the Company cancelled the agreement and all the shares were required to be returned.

On April 5, 2012, a Certificate of Amendment to the Articles of Incorporation was filed with the Nevada Secretary of State noting the increase in authorized common stock to 100,000,000 shares.

On April 13, 2012, Judson Bibb returned the 5,000,000 shares he had received from Phoenix Productions and Entertainment Group (PPEG) back to PPEG resulting in a reversal of the expense in the quarter ending June 30, 2012, as such the Company recognized a gain due to the return of shares of \$2,650,000.

On June 8, 2012, the Board of Directors authorized the issuance of 26,666 shares of restricted common stock valued at \$0.75 totaling \$20,000 to Wayne Wilcox of Geartech Heavy Duty in lieu of payment for work performed on a component of the initial hybrid conversion vehicle. The Board of Directors also authorized the issuance of 10,000 shares of restricted common stock valued at \$0.50 to an accredited investor in exchange for \$5,000 in funding.

In April, May, June and July of 2012, Spirit Bear Limited made cash advances for and funded loans to the Company in the total amount of \$186,222, creating direct financial obligations of the Company. On August 8, 2012, The Company and Spirit Bear reached a definitive agreement concerning the terms of the loans, including the Company's obligations to repay Spirit Bear within 180 days from each date of funding, and the Company's obligation to issue warrants to Spirit Bear to purchase 3.5714 shares of common stock per dollar of consideration provided by Spirit Bear, subject to certain adjustments, at the per share price of \$.35, as partial consideration for the loans. The warrants granted to Spirit Bear totalled 665,374 shares. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.33%; dividend yield of 0% and expected volatility of 250%. These options were valued at \$622,522 and the aggregate value

was capitalized as financing cost and has been amortized and charged to financing cost expense in the amount of \$622,522 as of December 31, 2012.

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In the event payment was not made within 90 days of the receipt of each loan, the Company was required to provide penalty warrants.

On December 14, 2012, the penalty warrants for all four loans owed to Spirit Bear totalled 819,223. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 245%. These options were charged to interest expense in the amount of \$197,413 as of December 31, 2012.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear (i) 200 shares of the Company's Series A Convertible Preferred Stock (the "Preferred Stock") and (ii) warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock at an exercise price of \$0.35 per share (subject to adjustment as provided in the warrant); 2,000,000 shares of the Company's common stock at an exercise price of \$0.50 per share (subject to adjustment as provided in the warrant); and 2,000,000 shares of the Company's common stock at an exercise of \$0.75 per share (subject to adjustment as provided in the warrant). The aggregate purchase price for sale of the Preferred Stock and warrants was \$500,000, of which \$313,777 was paid in cash and \$186,222 was paid by cancelation of \$186,222 in outstanding indebtedness held by Spirit Bear.

The warrants may be exercised on a cashless basis in which the holder may be entitled to obtain a certificate of shares of the Company's common stock equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the average of the daily VWAPs for the three (3) Trading Days immediately preceding the date of such election;

(B) = the Exercise Price of this Warrant, as adjusted; and

(X) = the number of Warrant Shares issuable upon exercise of this Warrant in accordance with the terms of this Warrant by means of a cash exercise rather than a cashless exercise.

On December 21, 2012, pursuant to the Debt Settlement Agreement, \$911,894 outstanding under the PPEG Loan Agreement was forgiven. The debt forgiveness was accounted for as contributed capital as PPEG was a significant shareholder. In addition, the Debt Holders also agreed to deposit 4,676,000 shares of common stock in escrow. Upon the filing of a registration statement with the SEC, 3,676,000 shares were to be cancelled and returned to treasury (See Note 11). The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share at the rate of \$10,000 per month commencing within 90 days after HPEV achieves \$1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the \$400,000 on a pro rata basis based on each company's respective amount of debt forgiven. As of December 31, 2012 the 4,676,000 were removed from outstanding and classified as held in escrow in the amount of \$39,469 based on the historical value of shares.

Pursuant to the Debt Settlement Agreement signed with Phoenix Productions and Entertainment Group, Action Media Group and Spirit Bear Limited signed on December 11, 2012, 3,676,000 shares of common stock with a historical value of \$31,028 that were being held in escrow were cancelled on January 14, 2012. That left 1,000,000 shares with a historical value of 8,441 remaining in escrow and a total of 43,970,411 shares of common stock outstanding.

Pursuant to a debt settlement with the Crone Law Group, on February 13, 2013, the Board of Directors approved the issuance of 25,000 shares of restricted common stock to Mark Crone, the owner of the law group, to satisfy an outstanding balance of \$25,975. the shares were valued at \$6,500 dollars, a gain on settlement of debt of \$19,475 was recorded as a result.



On February 13, 2013, the Board of Directors authorized the cashless exercise of 200,000 option held by Crone Law Group. The cashless exercise resulted in the issuance of 90,000 shares of Common stock. (See Note 6: Warrants and Options.)

On May 6, 2013, the Company issued a warrant for 450,000 shares of common stock to a consultant for corporate development advisory services with an exercise price of \$0.48. The vesting period on these grants was immediate. The warrants will remain effective for 30 months and may be exercised on a cashless basis. The value of these warrants were estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.165%; dividend yield of 0% and expected volatility of 327%. To account for such grants to non-employees, we recorded the issuance as consulting expense in the amount of \$245,376.

On May 16, 2013, the “Company agreed to sell to an accredited investor 750,000 fully paid and non-assessable shares of common stock, par value \$0.001 per share at a purchase price of thirty three cents (\$0.33) per share in exchange for \$250,000 in funding. The investor also received warrants to purchase 750,000 shares of common stock at a purchase price of forty eight cents (\$0.48) per share. The warrants will remain effective for 30 months and may be exercised on a cashless basis.

The accredited investor’s stock subscription agreement includes a reset provision which states that if on the ninetieth business day from the closing date of May 16, 2013, the market price per share of the Common Stock is not trading at \$0.77 or higher, the Company will issue to the investor up to 336,956 shares, or an amount such that the investor would have received had he invested \$577,500 on May 16, 2013, whichever amount is lower.

On August 14, 2013, an accredited investor was awarded an additional 336,956 shares of restricted common stock as a result of the fact that the market price per share of the Common Stock did not trade at \$0.77 or higher on the ninetieth business day from the closing date. The reset shares combined with the original shares received changed the overall value of the stock purchased to \$0.23 per share.

The Company also agreed that within 45 business days of the consummation of the offer and sale of \$1,000,000 of Common Stock and Warrants, the Company shall file a registration statement on Form S-1 with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On May 28, 2013 the Company executed an agreement with Monarch Bay Securities, LLC which required the issuance of 400,000 warrants at an exercise price of (\$0.49) as a retainer for their services. 200,000 of the warrants were considered fully vested upon execution of the agreement, however, the warrants were not issued to the company until July 24, 2013. The remaining 200,000 warrants will not vest until the consultant has directly assisted the company is raising \$750,000 in financing. The value of these warrants were estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 5 years; risk free interest rate of 1.02%; dividend yield of 0% and expected volatility of 358%. To account for such grants to non-employees, we recorded the issuance the warrants as consulting expense in the amount of \$103,944.

On June 4, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of \$0.275. The vesting period on these grants was immediate. The value of these warrants were estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 225%. To account for such grants to non-employees, we recorded the issuance as interest expense in the amount of \$99,229.



On June 10, 2013, the Company issued 225,000 shares of restricted common stock valued at \$0.44 per share and warrants to purchase 225,000 shares of common stock at a purchase price of sixty six cents (\$0.66) per share to an accredited investor in exchange for \$100,000 in funding. The warrants will remain effective for 30 months and may be exercised on a cashless basis.

The accredited investor's stock subscription agreement includes a reset provision which states that if on the ninetieth business day from the closing date of June 10, 2013, the market price per share of the Common Stock is not trading at \$0.75 or higher, the Company will issue to the investor up to 200,000 shares, or an amount such that the investor would have received had he invested \$168,750 on June 10, 2013, whichever amount is lower. Additional warrants will also be due the investor pending the determination of the reset.

As a result of the fact that the market price per share of the Common Stock did not trade at \$0.75 or higher on the ninetieth business day from the closing date, the accredited investor was awarded the additional 196,875 shares of restricted common stock on September 8, 2013. The additional shares awarded lowered the stock purchase price to \$0.237 per share

The Company also agreed that within 45 business days of the consummation of the offer and sale of \$1,000,000 of Common Stock and Warrants, the Company shall file a registration statement on Form S-1 with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On July 1, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 3, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.66. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 1, 2013, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.44 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to January 2, 2016, an aggregate of 222,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 9, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 16, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.69. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 10, 2013, an accredited investor purchased 225,000 shares of common stock and warrants in a private offering at a purchase price of \$0.44 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to January 11, 2016, an aggregate of 337,500 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 15, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 16, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.66. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

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On July 16, 2013, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to January 15, 2016, an aggregate of 222,222 shares of common stock at an exercise price of \$0.69. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 16, 2013, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to January 24, 2016, an aggregate of 222,222 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 17, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 18, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.59. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 17, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 24, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 17, 2013, an accredited investor purchased 166,666 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$75,000. The warrants enable the investor to purchase, up to January 24, 2016, an aggregate of 166,667 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 19, 2013, an accredited investor purchased 55,555 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to January 24, 2016, an aggregate of 55,555 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 22, 2013, an accredited investor purchased 55,555 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to January 24, 2016, an aggregate of 55,555 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 22, 2013, an accredited investor purchased 55,555 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to January 24, 2016, an aggregate of 83,333 shares of common stock at an exercise price of \$0.49. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.



On July 22, 2013, an accredited investor purchased 55,555 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to February 16, 2016, an aggregate of 55,555 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On July 25, 2013, an accredited investor purchased 388,889 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$175,000. The warrants enable the investor to purchase, up to January 25, 2016, an aggregate of 388,889 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On August 2, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 6, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On August 6, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of \$0.39. The vesting period on these grants was immediate. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 218%. To account for such grants to non-employees, we recorded the issuance as interest expense in the amount of \$110,029.

On August 12, 2013, the Company issued 166,667 shares of restricted common stock valued at \$0.45 per share to an accredited investor in exchange for \$75,000 in funding. The investor also received warrants to purchase 250,000 shares of common stock at a purchase price of fifty eight cents (\$0.58) per share. The warrants may be exercised on a cashless basis and expire on February 12, 2016. The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On August 13, 2013, the Company issued 111,111 shares of restricted common stock valued at \$0.45 per share to an accredited investor in exchange for \$50,000 in funding. The investor also received warrants to purchase 166,667 shares of common stock at a purchase price of fifty eight cents (\$0.58) per share. The warrants may be exercised on a cashless basis and expire on February 12, 2016. The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On August 16, 2013, the Company received a Demand for Documents and Demand to Cease and Assist from Nevada counsel representing Spirit Bear and Jay Palmer, one of the three directors of the Company who was appointed by Spirit Bear. Such notice requires the Company to provide Mr. Palmer all books and records regarding all equity or debt issued by the Company since January 1, 2013 and an accounting of all compensation disbursed to Company executive officers since such date. Spirit Bear contends that management of the Company issued equity or debt without authority, and established compensation levels for the Company's officers and paid compensation to its officers in violation of its agreements with Spirit Bear and the Company's public filings.

On June 4, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of \$0.275. As a consequence of the cashless exercise of 100,000 of the warrants, David Serepca of McMahon, Serepca, LLP was awarded 48,328 shares of unrestricted common stock on August 19, 2013.

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On August 19, 2013, the Company issued 111,111 shares of restricted common stock valued at \$0.45 per share to an accredited investor in exchange for \$50,000 in funding. The investor also received warrants to purchase 111,111 shares of common stock at a purchase price of thirty seven cents (\$0.37) per share. The warrants may be exercised on a cashless basis and expire on February 23, 2016. The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On August 21, 2013, the Company issued 55,555 shares of restricted common stock valued at \$0.45 per share to an accredited investor in exchange for \$25,000 in funding. The investor also received warrants to purchase 55,555 shares of common stock at a purchase price of thirty seven cents (\$0.37) per share. The warrants may be exercised on a cashless basis and expire on February 23, 2016. The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On August 27, 2013 the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, Carrie Dwyer and Donica Holt (Case 2:13-cv-01548) (the "Lawsuit") seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and the defendants are bound by the April 12, 2013 Agreement. The defendants have indicated that they will seek indemnification from the Company as a result of the Company initiating this Lawsuit. The Company amended its complaint and dismissed Mr. Palmer and Mrs. Dwyer and Holt from the Lawsuit and sought an emergency summary judgment motion requesting declaratory relief that the February resolutions are valid. Defendant Spirit Bear objected to the Company's designation of its motion as a purported emergency because it improperly denies Spirit Bear the opportunity to respond to the Company's amended complaint, conduct discovery and investigate the Company's claims. On October 28, 2013, Spirit Bear responded to the Company's amended complaint and asserted derivative third-party claims in the Lawsuit on behalf of HPEV against Timothy Hassett, Theodore Banzhaf, Quentin Ponder, Judson Bibb and Mark Hodowanec.

Spirit Bear contests the validity of the Company issuing common stock in connection with the capital raises described herein commencing on May 17, 2013, as well as the compensation taken or accrued by the Company's management pursuant to the February 20, 2013, resolutions passed by the board of directors, consisting at that time of Timothy Hassett, Quentin Ponder, and Judson Bibb. Such disputes are currently pending in the Lawsuit described below. Therefore, neither the capital raise and stock issuance nor the accrued compensation are accepted by the three directors of the Company appointed by Spirit Bear.

On September 9, 2013, the Company issued 222,222 shares of restricted common stock valued at \$0.45 per share to an accredited investor in exchange for \$100,000 in funding. The investor also received warrants to purchase 222,222 shares of common stock at a purchase price of forty three cents (\$0.43) per share. The warrants may be exercised on a cashless basis and expire on March 9, 2016. The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

On September 16, 2013, Jay Palmer brought an emergency petition for a writ ordering the Company to allow him to inspect the books and records of the Company. On October 1, 2013 the court granted Mr. Palmer the right to inspect the books and records regarding (a) all equity or debt issued by Company management since January 1, 2013 and (b) all compensation disbursed to the Company's executive officers since January 1, 2013, with an accounting of disbursements.

On September 18, 2013, the Securities and Exchange Commission served HPEV, Inc. with a subpoena entitled In the Matter of HPEV, Inc. The subpoena requested documents relating to several matters, including Spirit Bear Limited,

Robert Olins and all of their respective affiliates. HPEV must produce the documents by October 3, 2013. At this time, it is unclear what conclusions the SEC will reach upon the conclusion of its investigation.

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When the Company signed a Registration Rights Agreement with Spirit Bear Limited on December 14, 2012, it obligated the Company to file a Registration Statement on Form S-1 and keep it effective. The Registration Statement that was declared effective by the SEC on January 23, 2013 ceased to be effective with the restatement of the Company's financials in a Form 10-K/A filed on May 21, 2013.

Pursuant to the Warrant Agreement covering warrants issued as part of the Stock Purchase Agreement and also falling under the terms of the Registration Rights Agreement the company signed with Spirit Bear on December 14, 2012, Spirit Bear Limited shall be due a 25% increase in the number of warrants issued in the event the Registration Statement ceased to be effective.

On August 7, 2013, the Company and Spirit Bear Limited agreed that Spirit Bear would forego the additional warrants Spirit Bear was due if the Company filed a Post-Effective Amendment to the Registration Statement within two business days of the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. The Company did not file a Post-Effective Amendment within two business days after the filing of the Form 10-Q for the second quarter.

Therefore, on October 5, 2013, Spirit Bear Limited was awarded a warrant for 500,000 shares of common stock the value of these warrants were estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 4 years; risk free interest rate of 1.035%; dividend yield of 0% and expected volatility of 382%. These options were charged to interest expense in the amount of \$174,997 as of December 31, 2013.

On October 10, 2013, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to April 16, 2016, an aggregate of 333,333 shares of common stock at an exercise price of \$0.52. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On October 15, 2013, HPEV filed a motion for declaratory relief to streamline the litigation between the Company and Spirit Bear Limited (See below under Part II, Item 1, 'Legal Proceedings') as delay could have a negative impact on the business including meeting contractual milestones by December 14, 2013. In the motion, the Company seeks a declaration that the resolutions in dispute are valid, the Company's capital raises are authorized and the agreement signed with Spirit Bear on April 14, 2013 is valid and enforceable.

On November 9, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of \$0.18. The vesting period on these grants was immediate. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 280%. To account for such grants to non-employees, we recorded the issuance as interest expense in the amount of \$72,748.

On December 17, 2013, an accredited investor purchased 166,667 shares of common stock and warrants in a private offering at a purchase price of \$0.30 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to June 18, 2016, an aggregate of 166,667 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On December 17, 2013, an accredited investor purchased 100,000 shares of common stock and warrants in a private offering at a purchase price of \$0.30 per share in consideration for \$30,000. The warrants enable the investor to purchase, up to June 18, 2016, an aggregate of 100,000 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On December 17, 2013, an accredited investor purchased 166,667 shares of common stock and warrants in a private offering at a purchase price of \$0.30 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to June 18, 2016, an aggregate of 166,667 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On December 17, 2013, an accredited investor purchased 100,000 shares of common stock and warrants in a private offering at a purchase price of \$0.30 per share in consideration for \$30,000. The warrants enable the investor to purchase, up to June 18, 2016, an aggregate of 100,000 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On December 18, 2013, an accredited investor purchased 125,000 shares of common stock and 168,750 warrants in a private offering at a purchase price of \$0.40 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to June 18, 2016, an aggregate of 168,750 shares of common stock at an exercise price of \$0.66. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On December 18, 2013, the Company granted Monarch Bay Securities, LLC warrants to purchase 42,667 shares of common stock as a commission for acting as a placement agent for the Company with respect to finding investors for offerings of the Company's securities. The warrants enable Monarch Bay to purchase shares of common stock at a price of fifty six cents (\$0.56) per share. The may be executed on a cashless basis and will expire on June 18, 2016.

On December 20, 2013, the Company issued a warrant for 200,000 shares of HPEV common stock to Andrew Kzyk in order to induce him to join the Company's Board of Advisors and retain his services for a period of at least 12 months.

On December 27, 2013, an accredited investor purchased 125,000 shares of common stock and warrants in a private offering at a purchase price of \$0.40 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to June 26, 2016, an aggregate of 125,000 shares of common stock at an exercise price of \$0.66. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

On December 31, 2013, the Company issued a warrant for 200,000 shares of HPEV common stock to Richard Schul in order to induce him to join the Company's Board of Advisors and retain his services for a period of at least 12 months.

The following is a summary of the status of all of the Company's stock warrants as of December 31, 2013 and changes during the year ended on that date:

|                                  | Number<br>of Warrants | Weighted-Average<br>Exercise Price | Weighted-Average<br>Remaining Life<br>(Years) |
|----------------------------------|-----------------------|------------------------------------|---|
| Outstanding at December 31, 2012 | 8,395,004             | \$ 0.48                            | 3.71  |
| Granted                          | 6,810,325             | \$ 0.50                            | 2.50  |
| Exercised                        | (100,000)             | \$ 0.275                           | -   |
| Expired                          | -                     | \$ -                               | -   |
| Outstanding at December 31, 2013 | 145,105,329           | \$ 0.46                            | 2.49  |
| Exercisable at December 31, 2013 | 145,105,329           | \$ 0.46                            | 2.49  |

The Company agreed that all investments made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement to be filed with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

For all investments received during 2013, the cash received from the investors was for the value of both the common stocks and warrants. The common stock value was known per the subscription agreements. As that was equal to the total cash received from the investor; no additional value for the warrants was recorded.

Consequently, the investments were reflected in an increase in cash and an increase to stock and/or additional paid-in capital.

#### NOTE 10 – Options

On October 31, 2011, stock options to purchase 200,000 shares at \$0.55 were issued to The Crone Law Group. These options were issued in order to satisfy a penalty for services rendered and payments defrayed. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 3 years; risk free interest rate of 0.41%; dividend yield of 0% and expected volatility of 289%. These options were valued at \$108,420 and charged to professional fees.

Mark Crone elected to convert the options by cashless exercise. Therefore, on February 13, 2013, the Board of Directors also approved the issuance of 90,000 shares of common stock to the Crone Law Group.

On February 20, 2013, the board of directors, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, granted Judson Bibb an option to purchase 2,000,000 shares of the Company's common stock, at a purchase price of par value or \$0.001 per share. The options expire one year after Mr. Bibb has been terminated without cause. The options can be exercised on a cashless basis.



Also, on February 20, 2013, the Board of Directors, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, voted to decrease the milestone prices of the five options to purchase one million shares that would be granted to the President, Mr. Banzhaf, assuming the respective milestone prices are achieved. The milestone stock prices were reduced to \$2.00, \$3.00, \$4.00, \$4.50 and \$5.00 for 20 consecutive trading days each. These milestone stock prices were reduced from \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Once the stock has traded at or above these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at the closing price on the first day after the stock has traded for 20 consecutive days at or above each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause.

On March 21, 2013, the Company and Judson Bibb signed an agreement rescinding the options granted.

On March 24, 2013, the Company and Theodore Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase one million shares as well as the cashless exercise thereof awarded to the President.

The following is a summary of the status of all of the Company's stock option as of December 31, 2013 and changes during the year ended on that date:

|                                  | Number<br>of Options | Weighted-Average<br>Exercise Price | Weighted-Average<br>Remaining Life<br>(Years) |
|----------------------------------|----------------------|------------------------------------|---|
| Outstanding at December 31, 2012 | 200,000              | \$ 0.55                            | 1.8   |
| Granted                          | -                    | \$ -                               | -   |
| Exercised                        | (200,000)            | \$ 0.55                            | 1.68  |
| Cancelled                        | -                    | \$ -                               | -   |
| Outstanding at December 31, 2013 | -                    | \$ -                               | -   |
| Exercisable at December 31, 2013 | -                    | \$ -                               | -   |

#### NOTE 11 – RELATED PARTY TRANSACTIONS

As a consequence of the reverse merger, HPEV took over the obligations of Z3E consisting of accounts payable of \$11,637 (non-related party) and a note payable balance of \$313,687 due to Phoenix Productions and Entertainment Group, Inc., a significant shareholder of the Company's common stock. The terms of the loan agreement do not require payment of interest and repayment of the loan is to begin 15 days after receipt of initial revenues related to projects funded by PPEG loans. Maturity of the loan was perpetual or upon mutual agreement of both parties or if conditions are breached or default.

Subsequent to the reverse merger, Phoenix Productions and Entertainment Group, Inc. made loans to the Company of \$598,207 leaving a balance due as of December 11, 2012 of \$911,894. On that date, the Company signed a debt settlement agreement and the loan was forgiven. (See Note 5).

Beginning on January 15, 2013, compensations of (i) \$13,500 per month for Timothy Hassett, the Chairman and Chief Executive Officer, (ii) \$10,000 per month for Quentin Ponder, the Chief Financial Officer and Treasurer, (iii) \$12,500 per month for Theodore Banzhaf, the President, (iv) \$14,500 per month for a still undesignated Chief Technical Officer and (v) \$8,000 per month for Judson Bibb, the Vice-President and Secretary began to accrue.

With the exception of \$70,000 in accrued compensation forgiven by two officers on December 17, 2012, the accruals for all unpaid compensation dating back to May 2012 are reflected in the Consolidated Balance Sheets under “Short term loans - related party”.

During the period from inception (March 24, 2011) to December 31, 2013, Judson Bibb, Director, advanced \$22,910 in interest free, unsecured, due on demand funds. As of December 31, 2013, \$22,910 remains due and payable. Consequently, it is also reflected in the Consolidated Balance Sheets under “Short term loans - related party”.

As an affiliate with representation on the Board of Directors by three individuals, Spirit Bear Limited is considered a related party. Complete information about Spirit Bear’s transactions with the Company can be found under Note 5 -- Capital Stock, Note 6 -- Warrants and Options and Note 8 -- Notes Payable as well as following Note 11 under Certain Relationships and Related Transactions.

During the quarter ended March 31, 2013, Quentin Ponder, Director and Chief Financial Officer, was repaid \$12,100 on interest-free, unsecured, due-on-demand loans issued to the Company. As of December 31, 2013, \$0 remained due and payable.

Entities under the control of certain officers and directors hold consulting agreements with the Company. In the year ended December 31, 2013, \$520,750 in consulting fees were incurred as a result of these agreements and payments of \$392,863.85 were made to these entities. The officers are considered independent contractors under these agreements and therefore no payroll taxes were incurred by the Company for the year ending December 31, 2013.

#### Certain relationships and related transactions since inception

The following includes a summary of transactions since inception (April 15, 2011), or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two fiscal years (\$8,382), and in which any related person had or will have a direct or indirect material interest (other than compensation described under “Executive Compensation”). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm’s-length transactions.

Phoenix Productions and Entertainment Group, LLC, (PPEG), a company with whom Z3 Enterprises, Inc. (“Z3E”, a company with whom HPEV executed a reverse merger with) signed a joint venture agreement and with whom Z3E once shared office space. PPEG was a major shareholder in the Company.

On September 7, 2010, Z3E and PPEG entered into a Loan Agreement pursuant to which PPEG is to lend the Company up to \$1,000,000 (the “PPEG Loan Agreement”). Loans under the PPEG Loan Agreement were interest-free and were not convertible into the common stock of the Company as provided in the PPEG Joint Venture Agreement. All loans through December 11, 2012 from PPEG to the Company were made pursuant to the PPEG Loan Agreement.

As of December 11, 2012, the Company had \$862,094 in loans outstanding under the PPEG Loan Agreement. The proceeds were used for all aspects of the operations of Z3 Enterprises including the acquisition of HPEV, Inc. which was treated as a reverse merger for accounting purposes. In the fiscal year ended December 31, 2011, PPEG loaned the Company \$548,407.

In return for the loans, PPEG was due to receive the full amount of its loans or investment upon receipt of revenues by Z3E. As no revenues had been received by Z3E since the loans were provided, no repayments or interest payments were made.

On March 7, 2012, the Company signed a loan agreement with Action Media Group, LLC (a former shareholder) for \$250,000. The terms of the loan included: 3% annual interest and payment of principal and interest to begin at a mutually agreed upon date in the future. Maturity of the loan was perpetual or upon mutual agreement of both parties or if conditions were breached or in default.

On December 11, 2012, HPEV, Inc. (the "Company") entered into a Debt Settlement Agreement (the "Agreement") with Phoenix Productions and Entertainment Group ("PPEG"), Action Media Group, LLC ("AMG")(PPEG and AMG together, the "Debt Holders"), and Spirit Bear Limited. Prior to execution of the Agreement, the Debt Holders were owed an aggregate of \$1,161,894 in principal and accrued interest (the "Debt") by the Company. The Debt Holders also owned an aggregate of 4,676,000 shares (the "Total Shares") of the Company's common stock.

Pursuant to the Agreement, the Debt Holders agreed (i) to forgive the Debt and (ii) to transfer the Total Shares to the Company's transfer agent to be held in escrow and to be cancelled as provided for in the Agreement. Accordingly, the Debt holders have returned the notes evidencing the Debt, which notes were received by the Company on December 17, 2012; and have delivered the Total Shares to the escrow agent by book-entry transfer on December 20, 2012. As provided for in the Agreement, Debt Holders have released the Company of (i) any future liability or claim related to the Debt, (ii) any future liability or claim related to shares of any class of equity in the Company, and (iii) any obligation or liability of the Company.

The Total Shares will be held in escrow until the Company files a registration statement on Form S-1 with the Securities and Exchange Commission (the "SEC") in connection with the December 14, 2012, purchase by Spirit Bear Limited of unregistered securities of the Company (the "Registration Statement"). Upon the filing of the Registration Statement with the SEC, 3,676,000 shares of the Total Shares will be cancelled and 1,000,000 shares of the Total Shares (the "Consideration Shares") will continue to be held in escrow. The Company, or a nominee of the Company, will then purchase the Consideration Shares at the price of Forty Cents (\$.40) per share. The Consideration Shares will be purchased at the rate of Ten Thousand Dollars (\$10,000.00) per month until the purchase of all of the Consideration Shares shall have been completed. The first purchase will commence within ninety (90) days after HPEV shall have achieved One Million Dollars (\$1,000,000.00) in gross revenues for products or services from business operations.

The S-1 was filed January 11, 2013. Therefore, on January 14, 2013, 676,000 shares of common stock with a historical value of \$31,028 that were being held in escrow were cancelled on January 14, 2012. That left 1,000,000 shares with a historical value of 8,441 remaining in escrow and a total of 43,970,411 shares of common stock outstanding.

In 2010 and part of 2011, Z3E shared office space with PPEG. In consideration for the use of such space, Z3E paid approximately \$1,925 in 2011 through August 31, 2011. The sharing of office space officially ended on February 17, 2012.

The Joint Venture Agreement with PPEG was dissolved on December 9, 2011 by mutual agreement.



In October 2011, Judson Bibb, Director, received a gift of 5,000,000 shares from PPEG a significant shareholder. This gift was deemed as compensation. The shares were subsequently returned on April 13, 2012 and no financial benefit was accrued.

On April 12, 2011, Judson Bibb, the Secretary and a Director of the Company, provided an interest-free loan to the Company in the amount of \$22,910, which remains outstanding. The loan was secured by the placement of a mortgage lien in favor of Mr. Bibb on real property owned by Harvest Hartwell while it was a subsidiary of the Company. On August 10, 2011, Mr. Bibb executed the necessary documents to discharge the mortgage lien in order to facilitate the rescission of the acquisition agreement pursuant to which Z3E acquired Harvest Hartwell. The rescission took place on September 2, 2011. The Secretary/Director and the Company have yet to make new arrangements for repayment of the loan.

On February 20, 2013, the board of directors, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, voted to establish compensation levels for the officers of the Company.

Starting to accrue on January 15, 2013, compensations of (i) \$13,500 per month for Timothy Hassett, the Chairman and Chief Executive Officer, (ii) \$10,000 per month for Quentin Ponder, the Chief Financial Officer and Treasurer, (iii) \$12,500 per month for Theodore Banzhaf, the President, and (iv) \$8,000 per month for Judson Bibb, the Vice-President and Secretary.

The board, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, also resolved that when and if the Company achieves certain milestones, the compensation to the officers shall be increased. The milestones are as follows: (1) generating \$1 million in additional funding, (2) generating \$100,000 in revenue or an additional \$1 million in funding, (3) achieving profitability (which is defined as being cash flow positive for three consecutive months) and (4) maintaining profitability for four consecutive quarters. With the achievement of the first milestone, the compensation for the President and the Chief Technical Officer will increase to \$17,500 per month. With the achievement of the second milestone, the compensation for the Chief Executive Officer shall increase to \$17,500 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$12,000 per month, the compensation for the President and the Chief Technical Officer shall increase to \$20,000 per month, and the compensation for the Vice President and Secretary shall increase to \$10,000 per month. With the achievement of the third milestone, the compensation for the Chief Executive Officer shall increase to \$25,000 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$18,000 per month, the compensation for the President shall increase to \$24,000 per month, the compensation for the Chief Technical Officer shall increase to \$25,000 per month, and the compensation for the Vice President and Secretary shall increase to \$12,000 per month.

With the achievement of the fourth milestone, the compensation for the Chief Executive Officer shall increase to \$30,000 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$24,000 per month, the compensation for the President shall increase to \$29,000 per month, the compensation for the Chief Technical Officer shall increase to \$30,000 per month, and the compensation for the Vice President and Secretary shall increase to \$15,000 per month.

Spirit Bear contested the validity of the February 20, 2013, resolutions concerning officer compensation; such compensation levels are not accepted by the three directors of the Company appointed by Spirit Bear. This dispute is currently pending in the Lawsuit, described herein below. (For additional details, please see Note 13 – Subsequent Events).

In addition, the board authorized the Chief Executive Officer to make quarterly bonuses of \$50,000 and/or 50,000 shares of, or options for common stock available for each officer plus, special payments from 5% of the Company's net income to be given for individual contributions, such as the awarding of patents or the signing of major customer contracts.

As of July 24, 2013, the Company has raised \$1 million. Therefore, as per the board resolution passed on February 20, 2013, the President, Theodore Banzhaf's compensation increased from \$12,500 to \$17,500 per month in consulting fees. Compensation for the other officers, which began accruing on January 15, 2013 remained the same. Specifically, Timothy Hassett is to receive \$13,500 per month in consulting fees, Quentin Ponder is to receive \$10,000 per month in consulting fees and Judson Bibb is to receive \$8,000 per month in consulting fees.

Entities under the control of certain officers and directors hold consulting agreements with the Company and will receive this compensation. In the year ended December 31, 2013, \$520,750 in consulting fees were incurred as a result of these agreements and payments of \$392,863.85 were made to these entities. The unpaid compensation as of December 31, 2013 has been accrued as accounts payable- related parties. The officers are considered independent contractors under these agreements and therefore no payroll taxes were incurred by the Company for the year ending December 31, 2013. Beginning in January 2014, only one officer will have a consulting agreement. The rest will be salaried.

#### Spirit Bear Limited Transaction

HPEV entered into a Securities Purchase Agreement on December 14, 2012 (the "Closing Date"), pursuant to which it sold to Spirit Bear Limited (i) 200 shares of the Company's Series A Convertible Preferred Stock, \$.001 per share (the "Preferred Stock") and (ii) warrants to purchase (i) 2,000,000 shares of the Company's common stock at an exercise price of \$0.35 per share (subject to adjustment as provided in the warrant); (ii) 2,000,000 shares of the Company's common stock at an exercise price of \$.50 per share (subject to adjustment as provided in the warrant); (iii) 2,000,000 shares of the Company's common stock at an exercise of \$.75 per share (subject to adjustment as provided in the warrant). The purchase price for sale of the preferred stock and warrants was \$500,000, of which \$313,777.62 was paid in cash and \$186,222.38 was paid by cancelation of \$186,222.38 in outstanding indebtedness held by the Spirit Bear.

The Company and the Spirit Bear also entered into a Registration Rights Agreement, dated December 14, 2012 (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Company shall file a registration statement to register the shares issuable upon conversion of the Preferred Stock and the Debenture (described below) and the shares issuable upon the exercise of the Warrants. If the Registration Statement is not filed within thirty days of the Closing Date, then the number of Warrant Shares shall be increased by 500,000 to 6,500,000. If the Securities and Exchange Commission has not declared the Registration Statement effective within 120 days of the Closing Date, then the Company shall pay to each holder of Preferred Shares an amount in cash per Preferred Share held equal to the product of (i) \$5,000 multiplied by (ii) the product of (A) .02 multiplied by (B) the number of months after the Effectiveness Deadline that the Registration Statement is not declared effective by the SEC.

Each share of the Preferred Stock is convertible into 20,000 shares of Company's common stock and under certain circumstances the Preferred Stock is convertible into Senior Convertible Notes. The Conversion Price of the Preferred Stock is equal to the \$2,500.

In connection with the sale of the Preferred Stock, on December 17, 2012, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation of the Rights, Preferences, Privileges and Restrictions, which have not been set forth in the Certificate of Incorporation of the Series A Convertible Preferred Stock (the "Certificate of Designation").

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The Preferred Stock has rights as if each share of Series A Convertible Preferred Stock were converted into twenty thousand (20,000) shares of Common Stock.

The holders of each share of Preferred Stock then outstanding shall be entitled to be paid, out of the Available Funds and Assets (as defined in the "Certificate of Designation"), and prior and in preference to any payment or distribution (or any setting apart of any payment or distribution) of any Available Funds and Assets (as defined in the "Certificate of Designation") on any shares of Common Stock, an amount per share equal to the Liquidation Price (\$2,500 per share of the Preferred Stock) of the Series A Convertible Preferred Stock.

In the event a Registration Statement has not been declared effective by the United States Securities Exchange Commission within 180 calendar days from and after the Closing Date, the holders of at least two-thirds (2/3) of the then outstanding shares of Series A Convertible Preferred Stock may deliver a written notice to the Company electing the conversion of all Series A Convertible Preferred Stock to Debentures. Upon receipt of such notice, the outstanding shares of Series A Convertible Preferred Stock shall be converted to Debentures and as a result the Company would issue Debentures having a principal amount of up to \$1,000,000.

The warrants may be exercised on a cashless basis in which the holder may be entitled to obtain a certificate of shares of the Company's common stock equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the average of the daily VWAPs for the three (3) Trading Days immediately preceding the date of such election;

(B) = the Exercise Price of this Warrant, as adjusted; and

(X) = the number of Warrant Shares issuable upon exercise of this Warrant in accordance with the terms of this Warrant by means of a cash exercise rather than a cashless exercise.

Pursuant to the Securities Purchase Agreement, the Company may sell the Spirit Bear up to 200 additional shares of Preferred Stock and warrants to purchase up to 6,000,000 shares of the Company's common stock. The Company shall have the option to require Spirit Bear to purchase up to these additional Two Hundred (200) Preferred Shares and associated Warrants at a Subsequent Closing in the event that written certification ("Certification Notice") shall have been received by the Company from a federally licensed testing facility reasonably acceptable to Spirit Bear (subsequently amended in the April 12th Agreement to read 'Mohler Technology, Inc., or a similar federally licensed testing facility acceptable to the Company'), evidencing that either (i) three motors or alternators or (ii) two motors and one AMP system (each motor, alternator or AMP system modified and tested pursuant to a distinct Memorandum of Understanding or other form of agreement) incorporating the Company's technology have been comprehensively tested in accordance with applicable NEMA, ANSI and IEEE standards and that the results of these tests meet or exceed the minimum requirements for certification under those standards; that those same motors, alternators or system incorporating the Company's technology have passed tests with respect to (i) IEEE 112 in Methods E, E1, F or F1 with a maximum horsepower of 4,000 (or to be determined by agreement) for F or F1, (ii) sound pressure testing to IEEE 85 and NEMA MG1 20 standards, (iii) bearing temperature testing, (iv) speed versus torque/current testing, (v) polarization index testing per IEEE 45 standards, and (vi) IEEE 112 Method B for full efficiency; and that testing evidences an improvement in power density of at least Twelve Percent (12.00%) compared to the same motor not incorporating HPEV technology. The Company shall give the Spirit Bear at least seven business days' notice of any subsequent closing. In the event the Company shall not have received the Certification Notice by December 14, 2013, Spirit Bear shall, commencing on December 14, 2013, have a twelve (12) month option, exercisable during such period at its sole discretion by delivery of written notice to the Company, to purchase the additional Two Hundred (200) Preferred Shares and associated Warrants in a Subsequent Closing to be held within seven (7) days of such notice.





In connection with the sale of the Preferred Stock and Warrants, the Company and the Spirit Bear entered into a Patent and Securities Agreement. Pursuant to the Patent and Security Agreement, the Company may, under certain circumstances, grant to the Spirit Bear a security interest in certain patents set forth in the Patent and Security Agreement.

On February 6, 2013, the Company received a letter from Spirit Bear which stated that the Company was in default of the Stock Purchase Agreement. According to Spirit Bear, the Company had not acted promptly to make 50% of the board of directors Spirit Bear designees. In addition, Spirit Bear stated that the company had not amended its bylaws with respect to Special Meetings and Meeting Adjournments nor had it provided a certified copy of its Articles of Incorporation within 10 days of the closing of the Stock Purchase Agreement. Pursuant to the Securities Purchase Agreement with Spirit Bear Limited, ("Spirit Bear"), the bylaws relating to Special Meetings and Meeting Adjournments were amended, effective February 20, 2013, verbatim with what was required in the Stock Purchase Agreement. Jay Palmer and Carrie Dwyer were appointed to the board of directors on the same date and Donica Holt was appointed to the board of directors on March 7, 2013.

On February 20, 2013, the Board of Directors, consisting at that time of Timothy Hassett, Quentin Ponder and Judson Bibb, voted to decrease the milestone prices of the five options to purchase one million shares that would be granted to the President, Mr. Banzhaf, assuming the respective milestone prices are achieved. The milestone stock prices were reduced to \$2.00, \$3.00, \$4.00, \$4.50 and \$5.00 for 20 consecutive trading days each. These milestone stock prices have been changed from \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Once the stock has traded at or above these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at the closing price on the first day after the stock has traded for 20 consecutive days at or above each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause.

The board, consisting at the time of Timothy Hassett, Quentin Ponder and Judson Bibb, also granted Judson Bibb an option to purchase 2,000,000 shares of the Company's common stock, at a purchase price of par value or \$0.001 per share. The options expire one year after Mr. Bibb has been terminated without cause. The options can be exercised on a cashless basis.

Despite electing two new board members at the first board meeting subsequent to the date the SPA was closed, the Company received another letter from counsel to Spirit Bear on March 7, 2013 indicating that the Company was still in default of its obligations under the SPA and the compensation authorized by the Board on February 20, 2013 (as disclosed in the Current Report on Form 8-K filed February 26, 2013) was self-dealing and resulted in the anti-dilution provision provided for in the SPA.

On March 21, 2013, the Company and Judson Bibb signed an agreement rescinding the options granted.

On March 24, 2013, the Company and Theodore Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase one million shares as well as the cashless exercise thereof awarded to the President.

On April 12, 2013, the Company and Spirit Bear Limited reached agreement regarding the settlement of allegations that the Company did not perform certain obligations pursuant to the Securities Purchase Agreement dated December 14, 2012 with Spirit Bear, and with respect to certain actions taken by the Company with respect to providing compensation to its management. Spirit Bear agreed to discharge the Company from all claims Spirit Bear may have had as well as to forgo all actions of any kind related to those claims which existed on or prior to April 12, 2013. Both parties also agreed that the signing of the agreement did not constitute an admission of wrongdoing or liability.



To satisfy the allegations, the Company and Spirit Bear agreed to amend the Certificate of Designation to provide that each share of Series A Convertible Preferred Stock can be converted into 50,000 shares of common stock and have the voting rights equal to 50,000 shares.

The Company and Spirit Bear also agreed to change the terms of the option provided to Spirit Bear in the Securities Purchase Agreement. The new language provides that the Company can sell up to 200 additional preferred shares and warrants to Spirit Bear or other qualified investors designated by Spirit Bear, if before December 14, 2013, written certification (“Certification Notice”) shall have been received by the Company from Mohler Technology, Inc., or a similar federally licensed testing facility reasonably acceptable to the Company, evidencing that either the Company’s technology incorporated in (i) three motors or alternators or (ii) two motors and one auxiliary mobile power system is comprehensively tested in accordance with applicable standards and the results of those tests meet or exceed minimum requirements for certification under those standards. If the milestones are not met prior to such date, Spirit Bear retains its right to purchase 200 additional preferred shares and warrants until December 14, 2014.

On June 24, 2013, an Amendment to the Certificate of Designation of Rights, Preferences, Privileges and Restrictions of the Series A Convertible Preferred Stock (the “Certificate of Designation”) issued by the Company was filed with the Secretary of State of the State of Nevada. The amendment effectuated the change (i) to the conversion rate of each share of Series A Convertible Preferred Stock from being convertible at the rate of 20,000 shares of common stock of the Company to 50,000 and (ii) to the voting right of each share of Preferred Stock from 20,000 to 50,000 shares of the common stock of the Company. There are currently 199 shares of the Preferred Stock issued and outstanding, all which are held by Spirit Bear Limited and its assignees.

The amendment to the Certificate of Designation was contemplated as a result of the agreement entered into on April 12, 2013 between the Company and Spirit Bear Limited.

On June 24, 2013, the Company and the holders of the Preferred Stock also amended the bylaws of the Company to provide that the Board of Directors of the Company shall, irrespective of the number of members, at all times be composed of an even number of members of which at least 50% shall be individuals designated by Spirit Bear Limited. Such amendment was contemplated by the Securities Purchase Agreement entered into between Spirit Bear Limited and the Company December 14, 2012.

The amendment to the Bylaws provides that Spirit Bear Limited shall have the right to nominate half of the members of the Board, which shall consist of an even number of directors. If Spirit Bear Limited does not respond to a written request to designate one or more nominees to the Board within 10 days, this right shall no longer have any effect until the number of directors of the Board shall change thereafter (whether by resignation, appointment, removal or otherwise). This right survives until the earlier of December 14, 2015 and the date that Spirit Bear Limited ceases to be an affiliate of the corporation.

In connection with the foregoing, the Company relied upon the exemption from securities registration afforded by Rule 506 of Regulation D as promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Securities Act”) and/or Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to one investor who is an accredited investor, and transfer was restricted by the Company in accordance with the requirements of the Securities Act.

#### NOTE 12 – INCOME TAXES

We did not provide any current or deferred U.S. federal income tax provision or benefit for the period presented because we have experienced operating losses since inception. Per authoritative guidance pursuant to accounting for

income tax and uncertainty in income taxes, when it is more likely than not that a tax asset cannot be realized through future income, the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that as a development stage company, it is prudent to assume that we will not earn income sufficient to realize the deferred tax assets during the carry forward period. As of December 31, 2013 and 2012, the Company had \$3,502,611 and \$1,454,247, respectively in net loss carry forwards.

The components of the Company's deferred tax asset as of December 31, 2013 and 2012 is as follows:

|                                  | Since<br>Inception to<br>December 31,<br>2013 | Since<br>Inception to<br>December<br>31,<br>2012 |
|----------------------------------|---|--|
| Net operating loss carry forward | \$ 1,215,458                                  | \$ 483,525                                       |
| Valuation allowance              | (1,215,458)                                   | (483,525)  |
| Net deferred tax asset           | \$ --   | \$ --  |

A reconciliation of income taxes computed at the statutory rate to the income tax amount recorded is as follows:

|                                 | As of<br>December<br>31,<br>2013 | As of<br>December<br>31,<br>2012 |
|---------------------------------|----------------------------------|----------------------------------|
| Tax at statutory rate (35%)     | \$ 706,472                       | \$ 241,239                       |
| Increase in valuation allowance | (706,472)                        | (241,239)                        |
| Net deferred tax asset          | \$ --                            | \$ --                            |

The Company had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. The Company has not accrued any additional interest or penalties. No tax benefit has been reported in connection with the net operating loss carry forwards in the consolidated financial statements as the Company believes that as a development stage company it is prudent to assume that it is likely that the net operating loss carry forwards will expire unused. Accordingly, the potential tax benefits of the net operating loss carry forwards are offset by a valuation allowance of the same amount. Net operating loss carryforwards start to expire in 2031.

The Company files income tax returns in the United States federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal, state or non-U.S. income tax examination by tax authorities on tax returns filed before January 31, 2007. The Company will file its U.S. federal return for the year ended December 31, 2013 upon the issuance of this filing. These U.S. federal returns are considered open tax years as of the date of these financial statements. No tax returns are currently under examination by any tax authorities.

#### NOTE 13 – SUBSEQUENT EVENTS

On January 13, 2014, the Company held its annual meeting (the "Meeting") of stockholders at the offices of the Company located at 8875 Hidden River Pkwy, Suite 300, Tampa, Florida. As of the record date for the Meeting, November 15, 2013, there were 48,917,595 shares of common stock issued and outstanding plus 9,950,000 additional shares entitled to vote as a result of the 199 shares of Series A Convertible Preferred Stock. As described in the proxy statement which was filed with the Securities and Exchange Commission on December 24, 2013 and sent to all the shareholders of record in connection with the Meeting, the Company would not count the vote of the shares issued in connection with capital raises during the 2013 fiscal year as a result of ongoing litigation with Spirit Bear Limited (See Legal Proceedings, page 18). Accordingly, 5,733,826 shares were excluded from voting at the Meeting. The Company received proxies from stockholders holding an aggregate of 53,133,769 shares, or 88% of the issued and outstanding shares (including the shares underlying the preferred stock).



The amendment to the Bylaws of the Company to delete plurality voting of the directors and instead provide that at the annual meeting of shareholders the directors be elected by a majority of the outstanding shares entitled to vote was approved.

Timothy Hassett, Judson Bibb and Quentin Ponder were each elected as directors of the Company to serve until the next annual meeting of stockholders. Jay Palmer, Carrie Dwyer and Donica Holt, the nominees appointed by Spirit Bear Limited, were not elected as directors to the Company.

The stockholders approved the non-binding proposal to approve the proposed compensation disclosed in the Proxy Statement for the Company's executive officers who are named in the Proxy Statement's Summary Compensation Table.

The stockholders approved the non-binding proposal to hold an advisory vote on executive compensation annually.

The final voting results on these matters at the Meeting are set forth below. There were no broker non-votes for any of the proposals.

Proposal 1: To authorize the amendment of the Company's Bylaws to provide that at the annual meeting of stockholders the directors be elected by a majority of the outstanding shares entitled to vote.

| Votes For  | Votes Against | Votes Abstained |
|------------|---------------|-----------------|
| 36,772,760 | 10,018,640    | 189,900         |

Proposal 2: To elect the directors to the Company's Board of Directors:

|                 | Votes For  | Votes Against | Votes Abstained |
|-----------------|------------|---------------|-----------------|
| Timothy Hassett | 36,047,279 | 10,003,240    | 930,781         |
| Judson Bibb     | 33,775,060 | 13,008,840    | 197,400         |
| Quentin Ponder  | 34,028,300 | 12,755,600    | 197,400         |
| Jay Palmer      | 10,058,900 | 36,715,000    | 207,400         |
| Carrie Dwyer    | 10,062,140 | 36,711,760    | 207,400         |
| Donica Holt     | 10,056,540 | 36,717,260    | 207,500         |

Proposal 3: To ratify the executive compensation:

| Votes For  | Votes Against | Votes Abstained |
|------------|---------------|-----------------|
| 36,391,260 | 10,397,840    | 192,200         |

Proposal 4: The frequency of stockholder votes on compensation:

| 1 Year | 2 Years | 3 Years | Abstained |
|--------|---------|---------|-----------|
|--------|---------|---------|-----------|



|            |           |       |         |
|------------|-----------|-------|---------|
| 45,288,000 | 1,500,000 | 1,000 | 192,300 |
|------------|-----------|-------|---------|

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On January 31, 2014, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to January 31, 2019, an aggregate of 222,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On January 31, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 31, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 1, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 1, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 5, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 5, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 5, 2014, HPEV, Inc. (the “Company”) completed the sale of \$930,000 of units (the “Units”) in a private placement (the “Offering”) pursuant to subscription agreements (each a “Subscription Agreement”, and collectively, the “Subscription Agreements”) with 17 accredited investors (the “Investors”). Each Unit consists of shares of the Company’s common stock priced at \$0.45 per share (the “Common Stock”), and (ii) a five-year warrant to purchase up to the identical amount of shares of Common Stock purchased at an exercise price of \$0.60 per share (each individually a “Warrant”, and collectively, the “Warrants”). The Warrants (and Placement Agent Warrants described below) contain a provision for cashless exercise.

A total of 2,066,668 shares of Common Stock were sold, and Warrants to purchase up to an additional 2,066,668 shares of Common Stock (the “Warrant Stock”) were issued to the Investors in the Offering.

The Company agreed to file a registration statement (the “Registration”) with the Securities and Exchange Commission (the “SEC”) within 45 days of closing for the Common Stock sold in the Offering and the Warrant Stock underlying the Warrants.

In connection with the Offering, the Company paid a placement agent fee of \$74,400 to the “Placement Agent”, and issued a five-year warrant to the Placement Agent (the “Placement Agent Warrant”) to purchase up to an aggregate of 261,333 shares of Common Stock at an exercise price of \$.60 per share pursuant to the placement agent agreement (“Placement Agreement”) with the Placement Agent. Under the Placement Agreement, the Placement Agent was also issued a 5-year warrant to purchase 1,500,000 shares of common stock with an exercise price of \$.56 per share. The warrants issued to the Placement Agent provide for cashless exercise and piggyback registration rights.

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The form of Subscription Agreement and Warrant Agreement and the Placement Agreement are filed herewith as exhibits 10.38 and 10.39, respectively. The foregoing summary descriptions of the Subscription Agreement, Warrant and Placement Agreement are qualified in their entirety by reference to the full texts of each such exhibit.

The Units, Common Stock, Warrants and Common Stock issuable upon exercise of the Warrants (collectively, the “Securities”) have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and were issued and sold in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. These Securities may not be offered or sold by the investors in the United States in the absence of an effective registration statement or an applicable exemption from registration requirements.

On February 10, 2014, an accredited investor purchased 55,555 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$40,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 55,556 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 10, 2014, an accredited investor purchased 88,889 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$40,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 88,889 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 14, 2014 HPEV, Inc. (the “Company”) and Mark M. Hodowanec entered into an employment agreement pursuant to which Mr. Hodowanec was appointed as the Chief Technical Officer of the Company. Pursuant to said agreement, Mr. Hodowanec is entitled to an annual salary of \$175,000, which will increase to \$210,000 with the achievement of the full commercialization of the 25/50KW MG. The base salary will also increase (i) \$20,000 per month upon the Company generating \$100,000 in revenue or an additional \$1 million in financing after February 14, 2014; (ii) to \$25,000 per month upon the Company achieving profitability; and (iii) to \$30,000 per month upon the Company maintaining profitability for four consecutive quarters.

Although the employment by the Company is at will, if Mr. Hodowanec is terminated without cause by the Company, he will be entitled to a severance payment equal to two year’s salary. If there is a change of control of the Company and as a result Mr. Hodowanec is terminated without cause, such severance payment shall be made upon the consummation of the event.

On February 19, 2014, HPEV, Inc. (the “Company”) and Lincoln Park Capital Fund, LLC (“Lincoln Park”) entered into a purchase agreement (the “Purchase Agreement”), together with a registration rights agreement (the “Registration Rights Agreement”), pursuant to which the Company has the right to sell to Lincoln Park up to \$10,000,000 in shares of its common stock, par value \$0.001 per share (“Common Stock”), subject to certain limitations.

Under the terms and subject to the conditions of the Purchase Agreement, Lincoln Park is obligated to purchase up to \$10,000,000 in shares of Common Stock (subject to certain limitations) from time to time over the 36-month period commencing on the date that a registration statement (the “Initial Registration Statement”), which the Company agreed to file with the Securities and Exchange Commission (the “SEC”) pursuant to the Registration Rights Agreement, is declared effective by the SEC and a final prospectus in connection therewith is filed. The Company may direct Lincoln Park, at its sole discretion and subject to certain conditions, to purchase up to 75,000 shares of Common

Stock in regular purchases.

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In addition, the Company may direct Lincoln Park to purchase additional amounts as accelerated purchases if on the date of a regular purchase the closing sale price of the Common Stock equals or exceeds \$0.60 per share. The purchase price of shares of Common Stock related to the future funding will be based on the prevailing market prices of such shares at the time of sales (or over a period of up to 12 business days leading up to such time), but in no event will shares be sold to Lincoln Park on a day the Common Stock closing price is less than the floor price of \$0.25, subject to adjustment. The Company will control the timing and amount of any sales of Common Stock to Lincoln Park.

The Company's sales of shares of Common Stock to Lincoln Park under the Purchase Agreement are limited to no more than the number of shares that would result in the beneficial ownership by Lincoln Park and its affiliates, at any single point in time, of more than 9.99% of the then outstanding shares of the Common Stock.

As consideration for its commitment to purchase shares of Common Stock pursuant to the Purchase Agreement, the Company agreed to issue to Lincoln Park 671,785 shares of Common Stock upon execution of the Purchase Agreement. The 671,785 shares of Common Stock were issued to Lincoln Park on February 25, 2014.

The Purchase Agreements and the Registration Rights Agreement contain customary representations, warranties and agreements of the Company and Lincoln Park and customary conditions to completing future sale transactions, indemnification rights and obligations of the parties. Except that Lincoln Park is not obligated to purchase more than \$500,000 of Common Stock in any single regular purchase, there is no upper limit on the price per share that Lincoln Park could be obligated to pay for shares of Common Stock under the Purchase Agreement.

The Company has the right to terminate the Purchase Agreements at any time, at no cost or penalty. Actual sales of shares of Common Stock to Lincoln Park under the Purchase Agreements will depend on a variety of factors to be determined by the Company from time to time, including (among others) market conditions, the trading price of the Common Stock and determinations by the Company as to the appropriate sources of funding for the Company and its operations.

On February 14, 2014, an accredited investor purchased 88,889 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$40,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 88,889 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 15, 2014, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 222,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 24, 2014, an accredited investor purchased 55,556 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 55,556 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 24, 2014, an accredited investor purchased 100,000 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$45,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 100,000 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 24, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 24, 2014, an accredited investor purchased 11,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$5,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 11,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 24, 2014, an accredited investor purchased 55,556 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 55,556 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 25, 2014, an accredited investor purchased 418,333 shares of common stock in a private offering at a purchase price of \$0.60 per share in consideration for \$251,000. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 25, 2014, an accredited investor purchased 40,000 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$18,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 40,000 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 27, 2014, an accredited investor purchased 144,444 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$65,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 144,444 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 28, 2014, an accredited investor purchased 133,334 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$60,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 133,334 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 28, 2014, an accredited investor purchased 444,445 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$200,000. The warrants enable the investor to



purchase, up to February 14, 2019, an aggregate of 444,445 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 28, 2014, an accredited investor purchased 40,000 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$18,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 40,000 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

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On February 28, 2014, an accredited investor purchased 100,000 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$45,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 100,000 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 28, 2014, an accredited investor purchased 333,333 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$150,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 28, 2014, an accredited investor purchased 112,000 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,400. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 112,000 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 28, 2014, Andrew Kzyk resigned from the Board of Advisors. The warrant for 200,000 common shares issued on December 20, 2013 in connection with his service on the board was cancelled.

On March 1, 2014, an accredited investor purchased 50,000 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$22,500. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 50,000 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 1, 2014, an accredited investor purchased 666,666 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$300,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 666,667 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 1, 2014, an accredited investor purchased 11,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$5,000. The warrants enable the investor to purchase, up to March 14, 2019, an aggregate of 11,112 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 1, 2014, an accredited investor purchased 22,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$10,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 22,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of

\$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 1, 2014, an accredited investor purchased 33,333 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$15,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 33,333 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

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On March 1, 2014, an accredited investor purchased 22,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$10,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 22,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 1, 2014, an accredited investor purchased 22,223 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$10,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 22,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 1, 2014, an accredited investor purchased 11,112 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$5,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 11,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 8, 2014, an accredited investor purchased 33,334 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$15,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 33,333 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 8, 2014, an accredited investor purchased 55,556 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 55,556 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 8, 2014, an accredited investor purchased 11,112 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$5,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 11,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 8, 2014, an accredited investor purchased 11,112 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$5,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 11,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On March 11, 2014, an accredited investor purchased 166,667 shares of common stock in a private offering at a purchase price of \$0.60 per share in consideration for \$100,000. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On June 4, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of \$0.275. One hundred thousand of the warrants were exercised in a cashless exercise on August 19, 2013. As a consequence of the cashless exercise of the remaining 203,569 of the warrants, David Serepca of McMahon, Serepca, LLP was awarded 172,688 shares of unrestricted common stock on March 14, 2014.

On March 14, 2014, a warrant for 250,000 shares was issued to Don Bowman for legal services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 250,000 shares of common stock at an exercise price of \$0.60. The warrant may be exercised on a cashless basis.

On March 14, 2014, a warrant for 250,000 shares was issued to David Lubin for legal services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 250,000 shares of common stock at an exercise price of \$0.60. The warrant may be exercised on a cashless basis.

On March 14, 2014, a warrant for 400,000 shares was issued to Paul Hodowanec for business development services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 400,000 shares of common stock at an exercise price of \$0.60. The warrant may be exercised on a cashless basis.

On March 14, 2014, a warrant for 107,000 shares was issued to Global H2O for business development services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 107,000 shares of common stock at an exercise price of \$0.60. The warrant may be exercised on a cashless basis.

On March 14, 2014, a warrant for 780,000 shares was issued to Sagiv Israili for business development services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 780,000 shares of common stock at an exercise price of \$0.60. The warrant may be exercised on a cashless basis.

On March 14, 2014, a warrant for 15,000 shares was issued to Dennis Murchison for business development services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 15,000 shares of common stock at an exercise price of \$0.60. The warrant may be exercised on a cashless basis.

On March 14, 2014, a warrant for 400,000 shares was issued to consultants for business development services provided to the company. The warrant enables the recipient to purchase, up to March 14, 2019, an aggregate of 400,000 shares of common stock at an exercise price of \$2.00. The warrant may be exercised on a cashless basis.

On November 9, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of \$0.18. As a consequence of the cashless exercise of 303,569 if the warrants, David Serepca of McMahon, Serepca, LLP was awarded 273,043 shares of unrestricted common stock on March 18, 2014.

On March 18, 2014, the Company issued a warrant for 200,000 shares of HPEV common stock to a highly respected industry professional in order to induce him to join the Company's Board of Advisors and retain his services for a period of at least 12 months.

The net proceeds of the Private Placement are expected to be used by the Company for general corporate purposes.

For all investments received in 2013 as well as in the first ten weeks of 2014, the cash received from the investors was for the value of both the common stocks and warrants. The common stock value was known per the subscription agreements. As that was equal to the total cash received from the investor; no additional value for the warrants was recorded.

On March 31, 2014, the Board amended Mr. Banzhaf's options to provide for cashless exercise and for the stock price milestones to be: \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 in lieu of the current milestone prices of \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00.

On March 31, 2014, the Board approved the grant of options to Judson Bibb to purchase 2,000,000 shares of common stock at an exercise price of \$2.00 per share and the grant of options to purchase 1,000,000 shares of common stock at

\$2.00 per share to each of Messrs. Hassett, Hodowanec and Banzhaf.

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HPEV, Inc.

(A Development Stage Company)  
Condensed Consolidated Balance Sheets

|  | March 31,<br>2014<br>(Unaudited) | December 31,<br>2013 |
|--|----------------------------------|----------------------|
| <b>ASSETS</b>  |                                  |                      |
| Current assets:  |                                  |                      |
| Cash   | \$ 2,519,665                     | \$ 477,549           |
| Prepaid expenses   | 14,107                           | -                    |
| Total current assets   | 2,533,772                        | 477,549              |
| Intangibles  | 113,933                          | 98,697               |
| Total assets   | \$ 2,647,705                     | \$ 576,246           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                  |                      |
| Current liabilities:   |                                  |                      |
| Accounts payable   | \$ 123,972                       | \$ 230,527           |
| Accounts payable – related party   | 373,134                          | 272,564              |
| Accrued payroll liabilities  | 34,961                           | 10,428               |
| Notes payable – related party  | 22,910                           | 22,910               |
| Total current liabilities  | 554,977                          | 536,429              |
| Commitments and contingencies (Note 2)   | -                                | -                    |
| Stockholders' equity:  |                                  |                      |
| Preferred stock, \$.001 par value; 15,000,000 shares authorized; 160 and 200 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively             | -                                | -                    |
| Common stock, \$.001 par value; 100,000,000 shares authorized; 54,577,432 and 48,700,929 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively | 53,906                           | 48,702               |
| Additional paid-in capital   | 24,346,621                       | 8,944,784            |
| Common stock issuable  | 1,635,652                        | -                    |
| Common stock held in escrow  | 8,441                            | 8,441                |
| Accumulated deficit during development stage   | (23,951,892 )                    | (8,962,110 )         |
| Total stockholders' equity   | 2,092,728                        | 39,817               |
| Total liabilities and stockholders' equity   | \$ 2,647,705                     | \$ 576,246           |

See accompanying notes to condensed consolidated financial statements.



HPEV, Inc.  
(A Development Stage Company)  
Condensed Consolidated Statements of Operations  
(Unaudited)

|  | Three months ended<br>March 31, |               | March 24,<br>2011<br>(Date of<br>Inception)<br>Through<br>March 31,<br>2014 |
|--|---------------------------------|---------------|---|
|  | 2014                            | 2013          |   |
| Revenues   | \$ -                            | \$ -          | \$ -  |
| Cost of revenues                                   | -                               | -             | -   |
| Gross profit                                       | -                               | -             | -   |
| <b>Operating expenses</b>                          |                                 |               |   |
| Payroll and related expenses                       | 197,511                         | -             | 226,996   |
| Consulting   | 6,502,145                       | 427,003       | 11,481,561  |
| Professional fees                                  | 103,898                         | 47,516        | 1,581,159   |
| Research and development                           | 176,074                         | 2,000         | 1,019,306   |
| General and administrative                         | 156,259                         | 52,010        | 703,599   |
| Loss on deposit                                    | -                               | -             | 100,000   |
| Loss on intangible property                        | -                               | -             | 75,000  |
| Equity-based compensation                          | 7,950,000                       | -             | 7,950,000   |
| Total operating expenses                           | 15,085,887                      | 528,529       | 23,137,621  |
| <b>Other income and (expense)</b>                  |                                 |               |   |
| Interest expense, net                              | (7,839 )                        | -             | (467,245 )  |
| Finance cost                                       | -                               | -             | (622,522 )  |
| Gain on settlement of debt                         | -                               | 19,475        | 275,496   |
| Net loss   | \$ (15,093,726 )                | \$ (509,054 ) | \$ (23,951,892 )  |
| <b>Net loss per common share:</b>                  |                                 |               |   |
| Basic and diluted                                  | \$ (0.30 )                      | \$ (0.01 )    |   |
| <b>Weighted average common shares outstanding:</b> |                                 |               |   |
| Basic and diluted                                  | 50,511,090                      | 43,029,189    |   |

See accompanying notes to condensed consolidated financial statements.

HPEV, Inc.  
(A Development Stage Company)  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

|   | Three months ended<br>March 31, |               | March 24,<br>2011<br>(Date of<br>Inception)<br>Through<br>March 31,<br>2014 |
|---|---------------------------------|---------------|---|
|   | 2014                            | 2013          |   |
| <b>Operating Activities:</b>                        |                                 |               |   |
| Net loss  | \$ (15,093,726 )                | \$ (509,054 ) | \$ (23,951,892 )  |
| Stock issued for services                           | 302,250                         | 296,985       | 3,926,641   |
| Warrants issued for services                        | 6,077,735                       | -             | 6,548,182   |
| Warrants issued for interest                        | -                               | -             | 565,403   |
| Warrants issued for loan penalty                    | -                               | -             | 197,413   |
| Gain on settlement of debt                          | -                               | (19,475 )     | (275,496 )  |
| Amortization of financing cost                      | -                               | -             | 622,522   |
| Impairment of intangible asset and deposit          | -                               | -             | 175,000   |
| Equity-based compensation                           | 7,950,000                       | -             | 7,950,000   |
| <b>Changes in operating assets and liabilities:</b> |                                 |               |   |
| Prepaid expenses                                    | (14,107 )                       | -             | (14,107 )   |
| Accounts payable                                    | (106,555 )                      | 4,972         | 208,310   |
| Accounts payable – related party                    | 100,570                         | 64,922        | 373,134   |
| Accrued payroll liabilities                         | 24,533                          | -             | 40,982  |
| Net cash used in operating activities               | (759,300 )                      | (161,650 )    | (3,633,908 )  |
| <b>Investing Activities:</b>                        |                                 |               |   |
| Intangible assets                                   | (15,236 )                       | (14,382 )     | (113,933 )  |
| Cash acquired through reverse merger                | -                               | -             | 37  |
| Net cash used in investing activities               | (15,236 )                       | (14,382 )     | (113,896 )  |
| <b>Financing Activities:</b>                        |                                 |               |   |
| Proceeds from sale of common stock                  | 2,816,652                       | -             | 4,918,852   |
| Proceeds from sale of preferred stock               | -                               | -             | 500,000   |
| Proceeds from notes payable                         | -                               | -             | 439,722   |
| Payments on notes payable                           | -                               | -             | (189,722 )  |
| Proceeds from notes payable – related party         | -                               | 900           | 611,507   |
| Payments on notes payable – related party           | -                               | (12,100 )     | (13,300 )   |
| Bank overdraft                                      | -                               | -             | 410   |
| Net cash provided by (used in) financing activities | 2,816,652                       | (11,200 )     | 6,267,469   |
| Net increase (decrease) in cash                     | 2,042,116                       | (187,232 )    | 2,519,665   |
| Cash, beginning of period                           | 477,549                         | 194,721       | -   |
| Cash, end of period                                 | \$ 2,519,665                    | \$ 7,489      | \$ 2,519,665  |

|                        |          |      |          |
|------------------------|----------|------|----------|
| Cash paid for interest | \$ 7,848 | \$ - | \$ 9,185 |
|------------------------|----------|------|----------|

See accompanying notes to condensed consolidated financial statements.

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HPEV, Inc.  
(A Development Stage Company)  
Notes to Condensed Consolidated Financial Statements

Note 1 – Description of Business and Summary of Significant Accounting Policies

Description of Business

HPEV, Inc., (we, us, our, the “Company” or “HPEV”) was incorporated in the State of Nevada on July 22, 2002. We are formerly known as Bibb Corporation and Z3 Enterprises. We have developed and are currently commercializing heat dispersion technology in three market segments: motors and generators, pumps (initially drypit submersible pumps) and mobile electric generation (Mobile Generation). We intend to commercialize our technology in several additional market segments, including bearings, brakes and calipers. We believe that our proprietary technologies, including our patent portfolio and trade secrets, can help increase the efficiency and reduce manufacturing cost structures in several large industries, beginning with motors and generators, drypit submersible pumps and fleet vehicles. We currently own the rights to five patents and have multiple patent applications pending.

Basis of Presentation

We are not generating revenue and our operations have consisted of general administrative and pre-production activities. Accordingly, we are considered a development stage company. The accompanying condensed consolidated balance sheet as of December 31, 2013, has been derived from audited financial statements. The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited financial statements and in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. In the opinion of management, such unaudited information includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of this interim information. All intercompany transactions have been eliminated in consolidation. Operating results and cash flows for interim periods are not necessarily indicative of results that can be expected for the entire year. The information included in this report should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K/A for the year ended December 31, 2013.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred net losses since inception and have not fully commenced operations. We are still in the development stage, raising substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to generate future revenue, achieve profitable operations and repay our obligations when they come due. We have entered into an agreement whereby we may sell up to \$10,000,000 of our common stock to Lincoln Park Capital Fund LLC, subject to certain limitations over a 36-month period, when the registration statement we filed is declared effective by the SEC, but there can be no assurance that we will be successful in accomplishing our objectives. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty. As of the filing date of this Quarterly Report on Form 10-Q, management believes that it has adequate funding to ensure completion of the initial phases of the Company’s business plan: to license its thermal technologies and applications, including submersible drypit applications; to license and sell a mobile generation (ultimate power truck and ultimate work truck) driven by our proprietary gearing system; and to license a plug-in hybrid conversion system for heavy duty trucks, tractor trailers and buses.

Recently Issued Accounting Pronouncements

We have evaluated the recent accounting pronouncements through ASU 2014-10 and believe that none of them will have a material effect on our financial statements.

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## Note 2 – Commitments and Contingencies

On December 12, 2012, we concluded negotiations on a debt settlement agreement by and among the Company, Phoenix Productions and Entertainment Group (“PPEG”), Action Media Group, LLC (“Action Media”) and Spirit Bear Limited (“Spirit Bear”) (PPEG and Action Media collectively, the “Debt Holders”). The Debt Holders were to return to escrow a total of 4,676,000 shares of our common stock. 3,676,000 of these shares were returned and cancelled on January 14, 2013, following our filing a registration statement with the SEC on January 11, 2013. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share (or \$400,000) at the rate of \$10,000 per month commencing within 90 days of the Company achieving \$1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the \$400,000 on a pro rata basis, based on each company’s respective amount of debt forgiven. The historical cost of the shares held in escrow are reflected in equity on the balance sheets as common stock held in escrow.

We are a party to legal proceedings, which we are defending vigorously. At this time we cannot predict the outcome or estimate the cost to us, if any. Accordingly, we have not recorded any expense or liability associated with these proceedings. If these proceedings are not resolved in our favor, in future periods there may be an impact to our results of operations and financial position.

## Note 3 – Equity

We routinely issue warrants in exchange for services, as well as to settle long-term debt. The following is a summary of warrant activity:

|                                | Number of Warrants | Weighted-average Exercise Price | Weighted-average Remaining Life (Years) |
|--------------------------------|--------------------|---------------------------------|---|
| Outstanding, December 31, 2013 | 15,105,329         | \$ 0.50                         | 2.2                                     |
| Granted                        | 10,788,113         | 0.65                            |   |
| Exercised                      | (574,717 )         | 0.38                            |   |
| Expired                        | (200,000 )         | 0.49                            |   |
| Outstanding, March 31, 2014    | 25,118,725         | 0.56                            | 3.0                                     |
| Exercisable, March 31, 2014    | 24,918,725         | 0.56                            | 3.0                                     |

The fair value of each warrant is estimated on the date of grant using the Black-Scholes option pricing model (“Black-Scholes”). We use historical data to estimate the expected price volatility, the expected life and the expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of the grant for the estimated life of the warrant. The following summarizes the Black-Scholes assumptions used for warrant grants that were expensed:

|                         | Three months ended March 31, |      |
|-------------------------|------------------------------|------|
|                         | 2014                         | 2013 |
| Volatility              | 325 – 330 %                  | -    |
| Risk-free interest rate | 1.4 – 1.6%                   | -    |
| Expected life (years)   | 2.5 – 5.0                    | -    |
| Dividend yield          | -                            | -    |

During the three months ended March 31, 2014, we entered into an agreement whereby we may sell up to \$10,000,000 of our common stock to Lincoln Park Capital Fund LLC, subject to certain limitations, over a 36-month period, when the registration statement we filed is declared effective by the SEC. As part of that agreement, we issued 671,785 shares of common stock for no consideration.

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## Note 4 – Equity-based Compensation

Amounts recognized in the condensed consolidated financial statements related to equity-based compensation are as follows:

|   | Three months ended<br>March 31, |      |
|---|---------------------------------|------|
|   | 2014                            | 2013 |
| Total cost of stock-based compensation charged against income | \$ 7,950,000                    | \$ - |
| Impact on net loss per common share:                          |                                 |      |
| Basic and diluted   | \$ (0.16 )                      | \$ - |

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model (“Black-Scholes”). We use historical data to estimate the expected price volatility, the expected stock option life and expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for the estimated life of the stock option. The following summarizes the Black-Scholes assumptions used for stock option grants:

|                                    | Three months ended<br>March 31, |      |
|------------------------------------|---------------------------------|------|
|                                    | 2014                            | 2013 |
| Volatility                         | 325 %                           | -    |
| Risk-free interest rate            | 2.7 %                           | -    |
| Expected stock option life (years) | 10                              | -    |
| Dividend yield                     | -                               | -    |

The following is a summary of stock option activity:

|                                | Number of<br>Shares | Weighted-average<br>Exercise Price<br>per Share | Weighted-average<br>Remaining<br>Contractual Term | Aggregate<br>Intrinsic<br>Value |
|--------------------------------|---------------------|---|---|---------------------------------|
| Outstanding, December 31, 2013 | -                   |   |   |                                 |
| Stock options granted          | 5,000,000           | \$ 2.00   | No expiration                                     | \$ -                            |
| Stock options forfeited        | -                   |   |   |                                 |
| Stock options expired          | -                   |   |   |                                 |
| Stock options exercised        | -                   |   |   |                                 |
| Outstanding, March 31, 2014    | 5,000,000           | \$ 2.00   | No expiration                                     | \$ -                            |
| Exercisable, March 31, 2014    | 5,000,000           | \$ 2.00   | No expiration                                     | \$ -                            |



## Note 5 – Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the reporting period. Diluted net loss per share is computed similarly to basic loss per share, except that it includes the potential dilution that could occur if dilutive securities are exercised.

The following table presents a reconciliation of the denominators used in the computation of net loss per share – basic and diluted:

|   | Three months ended<br>March 31, |               |
|---|---------------------------------|---------------|
|   | 2014                            | 2013          |
| Net loss available for stockholders                 | \$ (15,093,726 )                | \$ (509,054 ) |
| Weighted average outstanding shares of common stock | 50,511,090                      | 43,029,189    |
| Dilutive effect of stock options and warrants       | -                               | -             |
| Common stock and equivalents                        | 50,511,090                      | 43,029,189    |
| Net loss per share – Basic and diluted              | \$ (0.30 )                      | \$ (0.01 )    |

Outstanding stock options and common stock warrants are considered anti-dilutive because we are in a net loss position.

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 13. Other Expenses of Issuance and Distribution

The expenses payable by the “Company in connection with the issuance and distribution of the securities being registered (other than underwriting discounts and commissions, if any) are set forth below. Each item listed is estimated, except for the Securities and Exchange Commission registration fee.

|   |             |
|---|-------------|
| Securities and Exchange Commission registration fee | \$1,010.89  |
| Legal fees and expenses                             | 10,000      |
| Accounting fees and expenses                        | 6,700       |
| Miscellaneous                                       | 3,645       |
| Total   | \$21,355.89 |

## Item 14. Indemnification of Directors and Officers

Our officers and directors are indemnified by our bylaws to the fullest extent permitted by Nevada law.

Under the Nevada Revised Statutes, director immunity from liability to a company or its shareholders for monetary liabilities applies automatically unless it is specifically limited by a company's Articles of Incorporation. Our Articles of Incorporation do not specifically limit our directors' immunity. Excepted from that immunity are: (a) a willful failure to deal fairly with the company or its stockholders in connection with a matter in which the director has a material conflict of interest; (b) a violation of criminal law, unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful; (c) a transaction from which the director derived an improper personal profit; and (d) willful misconduct.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and control persons pursuant to the foregoing provisions or otherwise, we have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy, and is, therefore, unenforceable.

## Item 15. Recent Sales of Unregistered Securities

During the past three years, the registrant has sold the following securities which were not registered under the Securities Act of 1933, as amended.

On March 29, 2011, Z3 entered into a Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV Inc. in consideration for the issuance of 22,000,000 shares of Z3 common stock. For accounting purposes, the acquisition of HPEV, Inc. by Z3 has been recorded as a reverse acquisition of a public company and recapitalization of Z3 based on factors demonstrating that HPEV represents the accounting acquirer.

On May 23, 2011, 1,823,185 shares of common stock were issued to Capital Group Communications in exchange for public relations, investment professional and investor communications services and consultation to be performed over a two year period.



On October 31, 2011, The Crone Law Group was issued an option to purchase 200,000 shares of restricted common stock at \$0.55 cents per share in exchange for legal services rendered to us and payments defrayed.

The Company issued 150,000 shares of common stock to an accredited investor on November 1, 2011 for \$50,000.

On March 23, 2012, we issued 1,000,000 shares of common stock to Lagoon Labs, LLC, an accredited investor, for investor communications and public relations services.

On June 8, 2012, we issued 26,666 shares of common stock valued at \$20,000 to Wayne Wilcox of Geartech Heavy Duty in lieu of payment for work performed on a component of our initial hybrid conversion vehicle.

On June 12, 2012, we issued 10,000 shares of our common stock to an accredited investor in exchange for \$5,000.

On December 14, 2012 we sold to Spirit Bear 200 shares of the Company's Preferred Stock and warrants to purchase (i) 2,000,000 shares of common stock at an exercise price of \$0.35 per share; (ii) 2,000,000 shares of common stock at an exercise price of \$0.50 per share; and (iii) 2,000,000 shares of common stock at an exercise price of \$0.75 per share (subject to adjustment as provided in the warrants). Each share of the Preferred Stock was convertible at the time into 20,000 shares of Company's common stock at a conversion price of \$2,500. The purchase price for sale of the preferred stock and warrants was \$500,000, of which \$313,777.62 was paid in cash and \$186,222.38 was paid by cancellation of \$186,222.38 in outstanding indebtedness.

On each of June 4, 2012, August 6, 2012 and November 9, 2012, the Company issued an immediately exercisable warrant for 303,569 shares of common stock with an exercise price of \$0.275, \$0.39 and \$0.18, respectively, to McMahon Serepca, LLP ("McMahon"), as a financial accommodation for professional fees owed for legal services. On August 19, 2013, McMahon exercised a portion of its warrant issued on June 4, 2012 into 100,000 shares of common stock on a cashless exercise basis which resulted in the issuance of 48,328 shares of common stock. We issued David Serepca of McMahon 172,688 shares of common stock on March 14, 2014 for the balance of the 203,569 shares subject to the warrant. On March 18, 2014, we issued David Serepca 273,043 shares of common stock as a result of the cashless exercise of 303,569 shares at \$0.18.

In connection with the bridge loan agreement entered into with Spirit Bear on August 8, 2012, on December 14, 2012, we issued warrants to purchase an aggregate of 665,374 shares of common stock, and penalty warrants to purchase an aggregate of 819,223 shares of common stock for untimely payments under the loan at an exercise price of \$0.35 per share to Spirit Bear.

On February 13, 2013, we issued 25,000 shares of restricted common stock to settle a portion of an outstanding balance with the Crone Law Group for legal services provided to us. The shares were issued to the owner of the law firm, Mark Crone.

On February 27, 2013, we issued 90,000 shares of common stock to The Crone Law Group upon the exercise of an option for 200,000 shares issued in October 31, 2011.

On May 17, 2013, an accredited investor purchased 750,000 shares of common stock and warrants to purchase an aggregate of 1,200,000 shares of common stock at an exercise price of \$0.48 until November 17, 2015 in a private offering for \$250,000. If 90 days after the purchase the stock is not trading at \$0.77 per share or higher, the Company will issue to the investor an additional 336,956 shares or the amount of shares of common stock that the investor would have received for a \$577,500 investment on May 17, 2013, whichever is lower.

On June 10, 2013, an accredited investor purchased 225,000 shares of common stock and warrants to purchase an aggregate of 337,500 shares of common stock at an exercise price of \$0.60 per share until December 10, 2015 in a private offering for \$100,000. If 90 days after the purchase the stock is not trading at \$0.75 per share or higher, the Company will issue to the investor an additional 200,000 shares or an amount of shares that such investor would have received for a \$168,750 investment on June 10, 2013, whichever amount is lower.

On July 4, 2013, an accredited investor purchased 111,111 shares of common stock and warrants to purchase an aggregate of 166,667 shares of common stock at an exercise price of \$0.66 per share until January 4, 2016 in a private offering for \$50,000.

On July 11, 2013, an accredited investor purchased 222,222 shares of common stock and warrants to purchase an aggregate of 333,333 shares of common stock at an exercise price of \$0.66 until January 11, 2016 in a private offering for \$100,000.

On July 12, 2013, an accredited investor purchased 225,000 shares of common stock and warrants to purchase an aggregate of 225,000 shares of common stock at an exercise price of \$0.60 until January 12, 2016 in a private offering for \$100,000.

On July 16, 2013, an accredited investor purchased 111,111 shares of common stock and warrants to purchase an aggregate of 166,667 shares of common stock at an exercise price of \$0.69 until January 16, 2016 in a private offering for \$50,000.

On July 16, 2013, an accredited investor purchased 222,222 shares of common stock and warrants to purchase an aggregate of 333,333 shares of common stock at an exercise price of \$0.69 until January 16, 2016 in a private offering for \$100,000.

On July 17, 2013, an accredited investor purchased 222,222 shares of common stock and warrants to purchase an aggregate of 333,333 shares of common stock at an exercise price of \$0.66 up to January 17, 2016 in a private offering for \$100,000.

On July 17, 2013, an accredited investor purchased 111,111 shares of common stock and warrants to purchase an aggregate of 166,667 shares of common stock at an exercise price of \$0.66 until January 17, 2016 in a private offering for \$50,000.

On July 19, 2013, an accredited investor purchased 111,111 shares of common stock and warrants to purchase an aggregate of 166,667 shares of common stock at an exercise price of \$0.59 until January 19, 2016 in a private offering for \$50,000.

On July 23, 2013, an accredited investor purchased 55,555 shares of common stock and warrants to purchase an aggregate of 83,333 shares of common stock at an exercise price of \$0.58 until January 23, 2016 in a private offering for \$25,000.

On July 24, 2013, an accredited investor purchased 55,555 shares of common stock and warrants to purchase an aggregate of 83,333 shares of common stock at an exercise price of \$0.49 until January 24, 2016 in a private offering for \$25,000.

On July 25, 2013, four accredited investors purchased an aggregate of 944,444 shares of common stock and warrants to purchase an aggregate of 1,416,667 shares of common stock at an exercise price of \$0.54 until January 25, 2016 in a private offering for an aggregate purchase price of \$425,000.

All of the warrants purchased in the above private offerings from May 2013 through July 2013 may be exercised on a cashless basis. The Company also agreed that within 45 days of the sale of \$1,000,000 of its shares and warrants, it will file a registration statement with the SEC covering the securities sold in such private offerings.

On October 5, 2013, we issued Spirit Bear a warrant to purchase 500,000 shares of our common stock at an exercise price of \$0.35 per share as a penalty for not maintaining the effectiveness of the registration statement covering the preferred stock and warrants owned by Spirit Bear. The warrant expires on the earlier of the date that is the fourth anniversary of the issue date or the date that is four months after the second anniversary of the date a post-effective amendment to the registration statement of the Company covering the preferred stock held by Spirit Bear is declared to be effective by the SEC.

On October 10, 2013, an accredited investor purchased 222,222 shares of common stock and warrants to purchase an aggregate of 333,333 shares of common stock at an exercise price of \$0.52 until April 16, 2016, in a private offering for \$100,000

On December 17, 2013, accredited investors purchased an aggregate of 533,334 shares of common stock and warrants to purchase an aggregate of 533,334 shares of common stock at an exercise price of \$0.56 until June 18, 2016, in a private offering for an aggregate of \$160,000.

On December 18, 2013, an accredited investor purchased 125,000 shares of common stock and warrants to purchase 168,750 shares of common stock at an exercise price of \$0.66 per share until June 18, 2016 in a private offering for \$50,000.

On December 20, 2013, the Company issued a 30-month warrant to purchase 200,000 shares of common stock at an exercise price of \$0.51 per share to Andrew Kyzyk as an inducement to join the Company's Board of Advisors. Mr. Kyzyk resigned from the Advisory Board on February 28, 2014 and the warrant was cancelled.

On December 27, 2013, an accredited investor purchased 125,000 shares of common stock and warrants to purchase 125,000 shares of common stock at an exercise price of \$0.66 per share until June 26, 2016 in a private offering for \$50,000.

All of the warrants purchased in the above private offerings may be exercised on a cashless basis. Also with respect to the private offerings above, the Company agreed that all sales made subsequent to the Company raising \$1,000,000 from the sale of its common stock and warrants it would include such shares on a registration statement filed with the SEC.

On December 18, 2013, the Company granted Monarch Bay warrants to purchase an aggregate of 42,667 shares of common stock at an exercise price of \$0.56 per share until June 18, 2016, as a commission for acting as a placement agent for the Company's private placement offerings. The warrants may be exercised on a cashless basis.

On December 31, 2013, the Company issued a 30-month warrant to purchase an aggregate of 200,000 shares of common stock at an exercise price of \$0.50 per share to Richard Schul as an inducement to join and remain on the Company's Board of Advisors for a period of at least 12 months.

On January 31, 2014, two accredited investor purchased an aggregate of 333,333 shares of common stock and five-year warrants to purchase an aggregate of 333,333 shares of common stock at an exercise price of \$0.60 in a private offering for an aggregate purchase price of \$150,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.





On February 1, 2014, an accredited investor purchased 111,111 shares of common stock and five-year warrants to purchase an aggregate of 111,111 shares of common stock at an exercise price of \$0.60 in a private offering for \$50,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 5, 2014, an accredited investor purchased 111,111 shares of common stock and five-year warrants to purchase an aggregate of 111,111 shares of common stock at an exercise price of \$0.60 in a private offering for \$50,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 5, 2014, the Company completed the sale of \$930,000 of units in a private placement offering with 17 accredited investors. An aggregate of 2,066,668 shares of common stock and five-year warrants to purchase up to an additional 2,066,668 shares of common stock at an exercise price of \$0.60 per share were sold to investors in the offering. The warrants contain a provision for cashless exercise. The Company agreed to file a registration statement with the SEC within 45 days of closing for the common stock and shares of common stock issuable upon exercise of the warrants sold in the offering. The Company issued a five-year warrant to purchase up to an aggregate of 261,333 shares of common stock at an exercise price of \$.60 per share to the placement agent in the offering pursuant to a placement agent agreement. The placement agent was also issued a five-year warrant to purchase 1,500,000 shares of common stock at an exercise price of \$0.56 per share. The warrants issued to the Placement Agent provide for cashless exercise and piggyback registration rights. The units, common stock, warrants and common stock issuable upon exercise of the warrants were issued and sold in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

On February 10, 2014, two accredited investors purchased an aggregate of 144,444 shares of common stock and warrants to purchase an aggregate of 144,444 shares of common stock at an exercise price of \$0.60 exercisable until February 14, 2019 in a private offering for an aggregate purchase price of \$80,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 25, 2014, pursuant to the Purchase Agreement with Lincoln Park and as consideration for its commitment to purchase shares under the Purchase Agreement, the Company issued 671,785 shares of common stock to Lincoln Park.

On February 14, 2014, an accredited investor purchased 88,889 shares of common stock and five-year warrants to purchase an aggregate of 88,889 shares of common stock at an exercise price of \$0.60 in a private offering for \$40,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 15, 2014, an accredited investor purchased 222,222 shares of common stock and five-year warrants to purchase an aggregate of 222,222 shares of common stock at an exercise price of \$0.60 in a private offering at a purchase price of for \$100,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 24, 2014, five accredited investors purchased an aggregate of 333,334 shares of common stock and warrants to purchase an aggregate of 333,334 shares of common stock at an exercise price of \$0.60 exercisable until

February 14, 2019 in a private offering for an aggregate purchase price of \$150,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 25, 2014, an accredited investor purchased 418,333 shares of common stock in a private offering at a purchase price of \$0.60 for \$251,000. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 25, 2014, an accredited investor purchased 40,000 shares of common stock and warrants to purchase an aggregate of 40,000 shares of common stock at an exercise price of \$0.60 exercisable until February 14, 2019 in a private offering for \$18,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 27, 2014, an accredited investor purchased 144,444 shares of common stock and warrants to purchase an aggregate of 144,444 shares of common stock at an exercise price of \$0.60 exercisable until February 14, 2019 in a private offering for \$65,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On February 28, 2014, six accredited investor purchased an aggregate of 1,163,112 shares of common stock and warrants to purchase an aggregate of 1,163,112 shares of common stock at an exercise price of \$0.60 exercisable until February 14, 2019 in a private offering for an aggregate purchase price of \$523,400. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On March 1, 2014, eight accredited investors purchased an aggregate of 838,889 shares of common stock and warrants to purchase an aggregate of 838,889 shares of common stock at an exercise price of \$0.60 exercisable until February 14, 2019 in a private offering for an aggregate purchase price of \$377,500. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On March 8, 2014, four accredited investor purchased an aggregate of 111,114 shares of common stock and warrants to purchase an aggregate of 111,114 shares of common stock at an exercise price of \$0.60 exercisable until February 14, 2019 in a private offering for an aggregate purchase price of \$50,000. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On March 11, 2014, an accredited investor purchased 166,667 shares of common stock in a private offering for \$100,000. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the SEC covering the securities.

On March 14, 2014, a five-year warrant to purchase 250,000 shares of common stock at an exercise price of \$0.60 was issued to Don Bowman for legal services provided to the Company. The warrant may be exercised on a cashless basis.

On March 14, 2014, a five-year warrant to purchase 250,000 shares of common stock at an exercise price of \$0.60 was issued to David Lubin for legal services provided to the Company. The warrant may be exercised on a cashless basis.

On March 14, 2014, a five-year warrant to purchase 400,000 shares of common stock at an exercise price of \$0.60 was issued to Paul Hodowanec for business development services provided to the Company. The warrant may be exercised on a cashless basis.

On March 14, 2014, a five-year warrant to purchase 107,000 shares of common stock at an exercise price of \$0.60 was issued to Global H2O for business development services provided to the Company. The warrant may be exercised on a cashless basis.

On March 14, 2014, a five-year warrant to purchase 780,000 shares of common stock at an exercise price of \$0.60 was issued to Sagiv Israili for business development services provided to the Company. The warrant may be exercised on a cashless basis.

On March 14, 2014, a five-year warrant for 15,000 shares of common stock at an exercise price of \$0.60 was issued to Dennis Murchison for business development services provided to the Company. The warrant may be exercised on a cashless basis.

On March 14, 2014, a five-warrant for 400,000 shares of common stock at an exercise price of \$2.00 was issued to consultants for placement services provided to the Company. The warrant may be exercised on a cashless basis.

On March 18, 2014, the Company issued a warrant to purchase 200,000 shares of common stock to Scott Van Dorn as an inducement to join and remain on the Company's Board of Advisors for at least 12 months.

On March 31, 2014, the Board approved the grant of options to Judson Bibb to purchase 2,000,000 shares of common stock at an exercise price of \$2.00 per share and the grant of options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Messrs. Hassett, Hodowanec and Banzhaf.

On March 31, 2014 we issued 500,000 shares of common stock to Spirit Bear upon the conversion of 10 shares of Preferred Stock.

Other than the issuances to Monarch Bay and the consultant for placement services described above, none of the above issuances involved any underwriters, underwriting discounts or commissions, or any public offering and we believe were exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof and/or Regulation D promulgated thereunder.

## Item 16. Exhibits

## Exhibit

| Exhibit Number | Description  |
|----------------|--|
| 3.1            | Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form SB-2 filed with the SEC on August 9, 2007).  |
| 3.2            | Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed with the SEC on September 9, 2010).  |
| 3.3            | Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Form SB-2 filed with the SEC on August 9, 2007).   |
| 3.4            | Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on April 11, 2012).  |
| 3.5            | Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q filed with the SEC on May 15, 2012).  |
| 3.6            | Bylaws, dated February 20, 2013 (incorporated by reference to Exhibit 3.6 to the Company's Form 10-K filed with the SEC on April 15, 2013).  |
| 3.6.1          | Amendment to Article VII of the Bylaws (incorporated by reference to Exhibit 3.6.1 to the Company's Form 8-K filed with the SEC on June 27, 2013).   |
| 3.7            | Amendment to Article II, Section 2 of the Bylaws (incorporated by reference to Exhibit 3.7 to the Company's Current Report on Form 8-K filed with the SEC on January 17, 2014).  |
| 3.8            | Certificate of Designations of Rights, Preferences, Privileges and Restrictions, Which have not been Set forth in the Certificate of Incorporation of the Series A Convertible Preferred Stock of HPEV, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012). |
| 3.9            | Amendment to Certificate of Designation ((incorporated by reference to Exhibit 4.1.1 to the Company's Form 10-K filed with the SEC on April 15, 2013).   |
| 5.1            | Opinion of David Lubin & Associates, PLLC (incorporated by reference to Exhibit 5.1 to the Company's registration statement on Form S-1 filed with the SEC on April 29, 2014)  |
| 10.1           | Joint Venture Agreement dated September 3, 2010 between Phoenix Productions and Entertainment Group, LLC and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on September 9, 2010).   |
| 10.2           | Loan Agreement between Phoenix Productions and Entertainment Group and the Company effective September 7, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K filed with the SEC on October 3, 2011).   |
| 10.3           | Stock Purchase and Sale Agreement dated November 17, 2010 between Phoenix Productions and Entertainment Group, LLC, Judson Bibb and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on December 28, 2010).  |
| 10.4           | Agreement for the Exchange of Common Stock of HPEV, Inc. dated March 29, 2011 among the Company, HPEV, Inc., Timothy Hassett, C. Quentin Ponder, B. Mark Hodowanec and D. Darren Zellers (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K filed with the SEC on October 3, 2011).                                       |
| 10.5           | Addendum to Share Exchange dated June 14, 2011 among the Company, HPEV, Inc., Timothy Hassett, C. Quentin Ponder, B. Mark Hodowanec and D. Darren Zellers (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the SEC on August 19, 2011).   |
| 10.6           | Memorandum of Agreement dated December 24, 2010 by and between the Company and Taharqa Aleem and Tunde Ra Aleem a/k/a Albert Allen and Arthur Allen (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on December 29, 2010).  |
| 10.7           | Letter of Agreement dated September 17, 2010 among USEE, Inc., USEE, CA, Inc. and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on September 24, 2010).   |

- 10.8 Termination Letter dated November 15, 2010 from the Company to USEE, Inc. and USEE, CA, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on November 15, 2010).
- 10.9 Amended and Restated Asset Purchase and Sale Agreement between Trinity Springs Ltd. and the Company effective January 26, 2011 (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on March 15, 2011).
- 10.10 Membership Interest Purchase Agreement related to Harvest Hartwell CCP, LLC dated September 30, 2010 between Richard Glisky and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on October 7, 2010).
- 10.11 Rescission Agreement dated September 2, 2011 between Richard Glisky and the Company (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K filed with the SEC on April 2, 2012).
- 10.12 Consulting Agreement dated April 1, 2011 between Summit Management and HPEV, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.13 Consulting Agreement dated April 1, 2011 between Timothy Hassett and HPEV, Inc. (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.14 Addendum to Summit Management Consulting Agreement dated January 2, 2012. (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.15 Addendum to Timothy Hassett Consulting Agreement dated January 2, 2012(incorporated by reference to Exhibit 10.15 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.16 Consulting Agreement dated February 13, 2012 between Lagoon Labs, LLC and HPEV, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on May 15, 2012)
- 10.17 Warrant issued to McMahon, Serepca LLP for financial accommodations dated June 4, 2012. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on November 19, 2012)
- 10.18 Spirit Bear Note and Warrant Purchase Agreement dated August 9, 2012. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the SEC on November 19, 2012)
- 10.19 Spirit Bear Promissory Note B-1 issued pursuant to the Note and Warrant Purchase Agreement and dated April 27, 2012. (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed with the SEC on November 19, 2012)

- 10.20 Spirit Bear Promissory Note B-2 issued pursuant to the Note and Warrant Purchase Agreement and dated May 22, 2012. (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed with the SEC on November 19, 2012)
- 10.21 Spirit Bear Promissory Note B-3 issued pursuant to the Note and Warrant Purchase Agreement and dated June 28, 2012. (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed with the SEC on November 19, 2012)
- 10.22 Spirit Bear Promissory Note B-4 issued pursuant to the Note and Warrant Purchase Agreement and dated July 11, 2012. (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q filed with the SEC on November 19, 2012)
- 10.23 Spirit Bear Loan Extension Agreement for Note B-1 dated October 26, 2012 (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q filed with the SEC on November 19, 2012)
- 10.24 Securities Purchase Agreement, dated December 14, 2012, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)
- 10.25 Registration Rights Agreement dated December 14, 2012, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)
- 10.26 Form of Common Stock Purchase Warrant, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.26 to the Company's Form S-1 filed with the SEC on January 11, 2013)
- 10.27 Form of Common Stock Purchase Warrant, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.27 to the Company's Form S-1 filed with the SEC on January 11, 2013)
- 10.28 Form of Common Stock Purchase Warrant, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.28 to the Company's Form S-1 filed with the SEC on January 11, 2013)
- 10.29 Patent and Security Agreement dated December 14, 2012, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)
- 10.30 Debt Settlement Agreement, dated December 11, 2012, by and among HPEV, Inc., Phoenix Productions and Entertainment Group and Action Media Group, LLC (incorporated by reference to Exhibit 10.30 to the Company's Form S-1 filed with the SEC on January 11, 2013)
- 10.32 Loan Agreement between Action Media Group, LLC and HPEV, Inc. (incorporated by reference to Exhibit 10.32 to the Company's Form 10-K filed with the SEC on April 15, 2013)
- 10.33 Warrant dated August 6, 2012 issued to McMahon Serepca LLP incorporated by reference to Exhibit 10.33 to the Company's Form 10-K filed with the SEC on April 15, 2013)
- 10.34 Recission Agreement, dated March 21, 2013 between Judson Bibb and the Company (incorporated by reference to Exhibit 10.34 to the Company's Form 10-K filed with the SEC on April 15, 2013)
- 10.35 Recission Letter, dated March 24, 2013 from Theodore Banzhaf (incorporated by reference to Exhibit 10.35 to the Company's Form 10-K filed with the SEC on April 15, 2013)
- 10.36 Settlement Agreement, dated April 12, 2013 between the Company and Spirit Bear Limited (incorporated by reference to Exhibit 10.36 to the Company's Form 10-K filed with the SEC on April 15, 2013)
- 10.38 Form of Subscription Agreement and Warrant Agreement (incorporated by reference to Exhibit 10.38 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2014).
- 10.39 Employment Agreement, dated February 14, 2014, between the Company and Mark Hodowanec (incorporated by reference to Exhibit 10.40 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2014).
- 10.40 Purchase Agreement, dated February 19, 2014, between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.40 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2014).
- 10.41 Registration Rights Agreement, dated February 19, 2014, between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.41 to the Company's Current Report on Form 8-K filed

with the SEC on February 24, 2014).

- 10.42 Consulting Agreement, dated May 1, 2012 with Bibb Productions & Consulting (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K filed with the SEC on April 2, 2014)
- 10.43 Employment Agreement, dated March 31, 2012 with Theodore Banzhaf (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K filed with the SEC on April 2, 2014)
- 10.44 Placement Agent and Advisory Services Agreement (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K filed with the SEC on April 2, 2014)
- 21 Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K filed with the SEC on October 3, 2011)
- 23.1\* Consent of Independent Registered Public Accounting Firm
- 23.2\* Consent of Independent Registered Public Accounting Firm
- 23.3 Consent of David Lubin & Associates, PLLC (included in Exhibit 5.1)

\* Filed herewith



Item 17. Undertakings

The undersigned Company hereby undertakes:

(a)(1) To file, during any period in which offers 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 of 1933;
- 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 Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.
- 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 of 1933, 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 of the Company under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned Company undertakes that in a primary offering of securities of the undersigned Company 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 Company 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 Company 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 Company or used or referred to by the undersigned Company;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Company or its securities provided by or on behalf of the undersigned Company; and
- (iv) Any other communication that is an offer in the offering made by the undersigned Company to the purchaser.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the Company is subject to Rule 430C, 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to our directors, officers and controlling persons pursuant to the provisions above, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by one of our directors, officers, or controlling persons in the successful defense of any action, suit or proceeding, is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Securities Act, and we will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tampa, State of Florida on May 23, 2014.

HPEV, INC.

By: /s/ Timothy Hassett  
Timothy Hassett  
Chief Executive Officer and Chairman  
(Principal Executive Officer)

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.

May 23, 2014

By: /s/ Timothy Hassett  
Timothy Hassett  
Chief Executive Officer and Chairman  
(Principal Executive Officer)

May 23, 2014

By: /s/ Quentin Ponder  
Quentin Ponder  
Chief Financial Officer and Director  
(Principal Financial and Accounting  
Officer)

May 23, 2014

By: /s/ Judson Bibb  
Judson Bibb  
Vice President and Director