

HPEV, INC.  
Form 10-Q  
August 13, 2014

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

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2014**

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

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

**Commission file number: 000-53443**

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

**Nevada**

**75-3076597**  
(I.R.S. Employer Identification No.)

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(State or other jurisdiction of incorporation or organization)

**8875 Hidden River Parkway, Suite 300**

**Tampa, FL**

(Address of principal executive offices)

**33637**

(Zip Code)

Registrant's telephone number, including area code: **(813) 975-7467**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

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

|                         |    |                           |    |
|-------------------------|----|---------------------------|----|
| Large accelerated filer | .. | Accelerated filer         | .. |
| Non-accelerated filer   | .. | Smaller reporting company | x  |

(Do not check if a smaller reporting company)

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

As of August 8, 2014, there were 56,721,075 shares of common stock, \$0.001 par value, issued and outstanding.

**HPEV, INC.**

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## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “might,” “will,” “expect,” “anticipate,” “predict,” “project,” “forecast,” “potential,” “continue” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Quarterly Report on Form 10-Q and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HPEV, Inc.****Condensed Consolidated Balance Sheets**

|  | <b>June 30,<br/>2014</b> | <b>December<br/>31,<br/>2013</b> |
|--|--------------------------|----------------------------------|
|  | <b>(Unaudited)</b>       |                                  |
| <b>ASSETS</b>  |                          |                                  |
| Current assets:  |                          |                                  |
| Cash   | \$ 1,704,663             | \$ 477,549                       |
| Prepaid expenses   | 60,854                   | --                               |
| Total current assets   | 1,765,517                | 477,549                          |
| Intangibles  | 118,280                  | 98,697                           |
| Total assets   | \$ 1,883,797             | \$ 576,246                       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                          |                                  |
| Current liabilities:   |                          |                                  |
| Accounts payable   | \$ 124,436               | \$ 230,527                       |
| Accrued liabilities – related party  | 806,977                  | 272,564                          |
| Customer deposits – related party  | 400,000                  | --                               |
| Accrued payroll liabilities  | 14,167                   | 10,428                           |
| Notes payable – related parties  | 22,910                   | 22,910                           |
| Total current liabilities  | 1,368,490                | 536,429                          |
| Commitments and contingencies (Note 2)   | --                       | --                               |
| Stockholders' equity:  |                          |                                  |
| Preferred stock, \$.001 par value; 15,000,000 shares authorized; 150 and 200 shares issued and outstanding at June 30,<br>2014 and December 31, 2013, respectively             | --                       | --                               |
| Common stock, \$.001 par value; 100,000,000 shares authorized; 55,721,075 and 48,700,929 shares issued and<br>outstanding at June 30, 2014 and December 31, 2013, respectively | 55,049                   | 48,702                           |
| Additional paid-in capital   | 26,558,183               | 8,944,784                        |
| Common stock issuable  | 1,635,652                | --                               |
| Common stock held in escrow  | 8,441                    | 8,441                            |
| Accumulated deficit  | (27,742,018)             | (8,962,110)                      |

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|  |              |            |
|--|--------------|------------|
| Total stockholders' equity                 | 515,307      | 39,817     |
| Total liabilities and stockholders' equity | \$ 1,883,797 | \$ 576,246 |

See accompanying notes to condensed consolidated financial statements.

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## HPEV, Inc.

## Condensed Consolidated Statements of Operations

(Unaudited)

|   | Three months ended June 30, |              | Six months ended June 30, |                |
|---|-----------------------------|--------------|---------------------------|----------------|
|   | 2014                        | 2013         | 2014                      | 2013           |
| Revenues                                    | \$ --                       | \$ --        | \$ --                     | \$ --          |
| Cost of revenues                            | --                          | --           | --                        | --             |
| Gross profit                                | --                          | --           | --                        | --             |
| Operating expenses                          |                             |              |                           |                |
| Payroll and related expenses                | 289,850                     | --           | 487,361                   | --             |
| Consulting                                  | 743,005                     | 595,314      | 7,245,150                 | 1,022,317      |
| Professional fees                           | 213,073                     | 38,853       | 316,971                   | 86,369         |
| Research and development                    | 259,339                     | 87,700       | 435,413                   | 89,700         |
| General and administrative                  | 683,449                     | 66,912       | 839,708                   | 118,922        |
| Equity-based compensation                   | 1,600,000                   | --           | 9,550,000                 | --             |
| Total operating expenses                    | 3,788,716                   | 788,779      | 18,874,603                | 1,317,308      |
| Operating loss                              | (3,788,716)                 | (788,779)    | (18,874,603)              | (1,317,308)    |
| Other income and (expense)                  |                             |              |                           |                |
| Interest expense, net                       | (1,410)                     | --           | (9,249)                   | --             |
| Gain on settlement of debt                  | --                          | --           | --                        | 19,475         |
| Net loss                                    | \$ (3,790,126)              | \$ (788,779) | \$ (18,883,852)           | \$ (1,297,833) |
| Net loss per common share:                  |                             |              |                           |                |
| Basic and diluted                           | \$ (0.07)                   | \$ (0.02)    | \$ (0.36)                 | \$ (0.03)      |
| Weighted average common shares outstanding: |                             |              |                           |                |
| Basic and diluted                           | 55,248,993                  | 43,505,741   | 52,892,940                | 43,268,781     |

See accompanying notes to condensed consolidated financial statements



**HPEV, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

|   | <b>Six months ended June 30,</b> |                |
|---|----------------------------------|----------------|
|   | <b>2014</b>                      | <b>2013</b>    |
| <b>Operating Activities:</b>                        |                                  |                |
| Net loss  | \$ (18,883,852)                  | \$ (1,297,833) |
| Stock issued for services                           | 596,750                          | 373,679        |
| Warrants issued for services                        | 6,395,940                        | 349,370        |
| Gain on settlement of debt                          | --                               | (19,475)       |
| Equity-based compensation                           | 9,550,000                        | --             |
| <b>Changes in operating assets and liabilities:</b> |                                  |                |
| Prepaid expenses                                    | (60,854)                         | --             |
| Accounts payable                                    | (138,322)                        | 8,425          |
| Accrued liabilities – related party                 | 534,413                          | 122,674        |
| Customer deposits – related party                   | 400,000                          | --             |
| Accrued payroll liabilities                         | 3,739                            | --             |
| Net cash used in operating activities               | (1,602,186)                      | (463,160)      |
| <b>Investing Activities:</b>                        |                                  |                |
| Intangible assets                                   | (19,583)                         | (21,225)       |
| Net cash used in investing activities               | (19,583)                         | (21,225)       |
| <b>Financing Activities:</b>                        |                                  |                |
| Proceeds from sale of common stock                  | 2,816,652                        | 350,000        |
| Proceeds from advances – related party              | --                               | 900            |
| Payments on notes payable – related party           | --                               | (12,100)       |
| Bank overdraft                                      | 32,231                           | --             |
| Net cash provided by financing activities           | 2,848,883                        | 338,800        |
| Net increase (decrease) in cash                     | 1,227,114                        | (145,585)      |
| Cash, beginning of period                           | 477,549                          | 194,721        |
| Cash, end of period                                 | \$ 1,704,663                     | \$ 49,136      |
| Cash paid for interest                              | \$ --                            | \$ --          |

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 in July 2002, and Ultimate Power Truck, LLC (“Ultimate Power Truck”), our wholly-owned subsidiary, was formed in April 2014. We are formerly known as Bibb Corporation and Z3 Enterprises. 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 positively 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. As of June 30, 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.

*Basis of Presentation*

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, 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 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. 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 dry-pit applications; to license and sell mobile generation retrofit kits (our Ultimate Power Truck business) driven by our proprietary gearing system; and to license a plug-in hybrid conversion system for heavy duty trucks, tractor trailers and buses. There can be no assurance, however, that we will be successful in accomplishing these objectives.

### ***Recently Issued Accounting Pronouncements***

On June 10, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-10, *Development Stage Entities (Topic 915) – Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*, which eliminates the concept of a development stage entity (DSE) its entirety from current accounting guidance. We have elected early adoption of this standard, which eliminates the designation of DSEs and the requirement to disclose results of operations and cash flows since inception.

We have evaluated the recent accounting pronouncements through ASU 2014-12 and believe that none of them will have a material effect on our financial statements.

### **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 various legal proceedings with Spirit Bear, 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 – Customer deposits – Related party**

These represent advance payments received on orders that have not yet been fulfilled, with companies controlled by the individual who, as described in Note 7, became a 5% owner of Ultimate Power Truck.

**Note 4 – 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:

|                                      | <b>Number of<br/>Warrants</b> | <b>Weighted-average<br/>Exercise<br/>Price</b> | <b>Weighted-average<br/>Remaining<br/>Life (Years)</b> |
|--------------------------------------|-------------------------------|--|--|
| Outstanding,<br>December 31,<br>2013 | 15,105,329                    | \$ 0.50  | 2.2  |
| Granted                              | 11,203,113                    | 0.66   |  |
| Exercised                            | (1,123,138)                   | 0.32   |  |
| Outstanding, June<br>30, 2014        | 25,185,304                    | 0.58   | 2.8  |
| Exercisable, June<br>30, 2014        | 24,985,304                    | 0.58   | 2.8  |

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:

|                         | <b>Six months ended June 30,</b> |             |
|-------------------------|----------------------------------|-------------|
|                         | <b>2014</b>                      | <b>2013</b> |
| Volatility              | 320 – 330 %                      | 325 – 360 % |
| Risk-free interest rate | 0.6 – 1.6 %                      | 0.2 – 1.0 % |
| Expected life (years)   | 2.5 – 5.0                        | 2.5 – 5.0   |
| Dividend yield          | -                                | -           |

During the six months ended June 30, 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. As part of entering into that agreement, we issued 671,785 shares of common stock for no consideration.

#### **Note 5 – Equity-based Compensation**

Amounts recognized in the condensed consolidated financial statements related to equity-based compensation are as follows:

|   | <b>Three months ended</b> |             | <b>Six months ended June</b> |             |
|---|---------------------------|-------------|------------------------------|-------------|
|   | <b>June 30,</b>           |             | <b>30,</b>                   |             |
|   | <b>2014</b>               | <b>2013</b> | <b>2014</b>                  | <b>2013</b> |
| Total cost of stock-based compensation charged against income | \$ 1,600,000              | \$ --       | \$ 9,550,000                 | \$ --       |
| Impact on net loss per common share:                          |                           |             |                              |             |
| Basic and diluted   | \$ (0.03)                 | \$ --       | \$ (0.18)                    | \$ --       |

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:

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|                                    | <b>Six months ended June 30,</b> |      |             |
|------------------------------------|----------------------------------|------|-------------|
|                                    | <b>2014</b>                      |      | <b>2013</b> |
| Volatility                         | 320 - 325                        | %    | -           |
| Risk-free interest rate            |                                  | 2.7% | -           |
| Expected stock option life (years) |                                  | 10   | -           |
| Dividend yield                     |                                  | -    | -           |

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The following is a summary of stock option activity:

|                                | Number of<br>Shares | Weighted-average<br>Exercise Price per<br>Share | Weighted-average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|--------------------------------|---------------------|---|--|---------------------------------|
| Outstanding, December 31, 2013 | -                   |   |  |                                 |
| Stock options granted          | 6,000,000           | \$ 1.92   | No expiration  | \$ -                            |
| Outstanding, June 30, 2014     | 6,000,000           | \$ 1.92   | No expiration  | \$ -                            |
| Exercisable, June 30, 2014     | 6,000,000           | \$ 1.92   | No expiration  | \$ -                            |

### Note 6 – 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 June<br>30, |              | Six months ended June 30, |                |
|---|--------------------------------|--------------|---------------------------|----------------|
|   | 2014                           | 2013         | 2014                      | 2013           |
| Net loss available for stockholders                 | \$ (3,790,126)                 | \$ (788,779) | \$ (18,883,852)           | \$ (1,297,833) |
| Weighted average outstanding shares of common stock | 55,248,993                     | 43,505,741   | 52,892,940                | 43,268,781     |
| Dilutive effect of stock options and warrants       | --                             | --           | --                        | --             |
| Common stock and equivalents                        | 55,248,993                     | 43,505,741   | 52,892,940                | 43,268,781     |
| Net loss per share – Basic and diluted              | \$ (0.07)                      | \$ (0.02)    | \$ (0.36)                 | \$ (0.03)      |

Outstanding stock options and common stock warrants are considered anti-dilutive because we are in a net loss position.

### Note 7 – Subsequent Events

On July 1, 2014, we entered into a 36 month independent contractor agreement with PGC Investments LLC (“PGC Agreement”), to manage the day-to-day operations of Ultimate Power Truck. The PGC Agreement includes monthly cash compensation, warrants in our common stock and shares of our common stock, as follows: a) 350,000 cashless warrants with a strike price of \$1.00 that vest upon reaching revenues of \$1,000,000; b) 1,530,000 cashless warrants with a strike price of \$1.00 that vest ratably upon reaching incremental revenues of \$3,000,000 with a total target revenue of \$100,000,000; c) 720,000 cashless warrants with a strike price of \$1.00 that vest ratably over 36 months; and d) 500,000 shares of our common stock that vest upon reaching revenues of \$100,000,000 or upon sale of the Company.

On July 30, 2014, we reached preliminary terms on an LLC Agreement (the “Preliminary LLC Agreement”) with Alfred A. Cullere (“Cullere”) concerning the governance and operations of Ultimate Power Truck. Under the terms of the Preliminary LLC Agreement, we would own 95% of the membership interests and Cullere would own 5%. Cullere’s interest cannot be diluted, even if additional membership interests are issued. These terms may change upon formalizing the final agreement.

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

### **General Discussion and Outlook**

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 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 positively impact the 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. As of June 30, 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.

The patents and patents-pending cover heat pipe architecture(s) and their applications, a parallel power platform and a parallel power gearing system. Additionally, we believe that the technology enhances the lifespan and effectiveness of many types of heat-producing mechanical equipment including vehicle components. HPEV thermal technology delivers the power density of a water-cooled motor or generator in a totally enclosed and nearly maintenance free enclosure. We project that our patent-pending Radial Vent Thermal technology can increase power density in several classes of motor enclosure ratings including Open, WPI (Weather Protected I) and WPPII (Weather Protected II) enclosures by up to 20%. The parallel power platform enables vehicles, regardless of their fuel type (diesel, gas, CNG, LNG, fuel cell and battery operated), 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.

We intend to license heat pipe technology to manufacturers of electric motors, electric generators, as well as manufacturers of vehicle parts, such as brakes, resistors and calipers. In Mobile Generation, we have nearly completed the conversion of our 25 kilowatt ("kW") demonstration vehicle and we intend to commercialize the product through retrofit on three vehicle platforms this year. We also intend to develop and commercialize Mobile Generation in power output ranges from 25kW up to 200kW in 2014. The demonstration vehicles will be used to showcase the effectiveness of the technology, generate data and as a marketing tool to generate orders. The target markets include public utilities, commercial and fleet vehicles, including heavy duty pick-up trucks, tractor trailer trucks and buses. We have executed product development agreements with two multi-national manufacturers. We are currently negotiating with a number of fleet owners and manufacturers to install our Mobile Generation system in their work

vehicles. We expect to open our first showcase facility in the fourth quarter of 2014 in Largo, Florida, servicing the state's west coast and Port Tampa Bay.

We generated our first Mobile Generation order during the quarter ended June 30, 2014, and received a partial deposit in advance of completing the sale. We currently expect to begin generating revenues in the fourth quarter of 2014, and hope to be cash flow positive in 2015, although there can be no assurances that we will be able to do so in this timeframe, or at all. We generally incur expenses to commercialize our products, which include costs for research and development, professional fees and general operations.

## **Results of Operations**

The following table sets forth, for the periods indicated, condensed statements of operations data. The table and the discussion below should be read in conjunction with the accompanying condensed consolidated financial statements and the notes thereto, appearing elsewhere in this report.

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|                              | <b>Three months ended</b> |              |                |          |
|------------------------------|---------------------------|--------------|----------------|----------|
|                              | <b>June 30,</b>           |              |                |          |
|                              | <b>2014</b>               | <b>2013</b>  | <b>Change</b>  | <b>%</b> |
| Revenues                     | \$ --                     | \$ --        | N/A            | N/A      |
| <b>Operating expenses</b>    |                           |              |                |          |
| Payroll and related expenses | \$ 289,850                | \$ --        | \$ 289,850     | N/A      |
| Consulting                   | 743,005                   | 595,314      | 147,691        | 25%      |
| Professional fees            | 213,073                   | 38,853       | 174,220        | 448%     |
| Research and development     | 259,339                   | 87,700       | 171,639        | 196%     |
| General and administrative   | 683,449                   | 66,912       | 616,537        | 921%     |
| Equity-based compensation    | 1,600,000                 | --           | 1,600,000      | N/A      |
| Total operating expenses     | \$ 3,788,716              | \$ 788,779   | \$ 2,999,937   | 380%     |
| Other income and (expense)   | \$ (1,410)                | \$ --        | \$ (1,410)     | N/A      |
| Net loss                     | \$ (3,790,126)            | \$ (788,779) | \$ (3,001,347) | 381%     |

|                              | <b>Six months ended June</b> |              |               |          |
|------------------------------|------------------------------|--------------|---------------|----------|
|                              | <b>30,</b>                   |              |               |          |
|                              | <b>2014</b>                  | <b>2013</b>  | <b>Change</b> | <b>%</b> |
| Revenues                     | \$ --                        | \$ --        | N/A           | N/A      |
| <b>Operating expenses</b>    |                              |              |               |          |
| Payroll and related expenses | \$ 487,361                   | \$ --        | \$ 487,361    | N/A      |
| Consulting                   | 7,245,150                    | 1,022,317    | 6,222,833     | 609%     |
| Professional fees            | 316,971                      | 86,369       | 230,602       | 267%     |
| Research and development     | 435,413                      | 89,700       | 345,713       | 385%     |
| General and administrative   | 839,708                      | 118,922      | 720,786       | 606%     |
| Equity-based compensation    | 9,550,000                    | --           | 9,550,000     | N/A      |
| Total operating expenses     | \$ 18,874,603                | \$ 1,317,308 | \$ 17,450,628 | 1,333%   |

|                            |               |                |                 |        |
|----------------------------|---------------|----------------|-----------------|--------|
|                            |               |                |                 |        |
| Other income and (expense) | \$ (9,249)    | \$ 19,475      | \$ (28,724)     | N/A    |
|                            |               |                |                 |        |
| Net loss                   | \$ 18,883,852 | \$ (1,297,833) | \$ (17,586,019) | 1,355% |

### ***Revenues***

During the three months ended June 30, 2014 and 2013, and since inception, we have not generated any revenues. We generated our first Mobile Generation order during the quarter ended June 30, 2014, and received a partial deposit in advance of completing the sale.

### ***Operating Expenses***

Operating expenses have increased during the three and six months ended June 30, 2014 compared to June 30, 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 and six months ended June 30, 2013, while we incurred interest expense during the three and six months ended June 30, 2014.

### ***Net Loss***

Since we 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 requirements primarily through the public sale and private placement of equity securities, debt financing, and exchanging common stock warrants and options for professional and consulting services. At June 30, 2014, we had cash and cash equivalents of \$1,704,663.

We executed an agreement on February 19, 2014, with Lincoln Park Capital Fund, LLC (“Lincoln Park”), which gives us the right to sell to Lincoln Park up to \$10,000,000 in shares of our common stock, subject to certain limitations, over a 36-month period. The registration statement with respect to 4,671,785 of our common stock was declared effective July 3, 2014. We hope that the funds from selling shares to Lincoln Park will be sufficient to meet our liquidity needs until we begin generating cash flows from revenues.

Working capital is the amount by which current assets exceed current liabilities. We had working capital of \$397,027 and \$(58,880), respectively, at June 30, 2014 and December 31, 2013. The increase in working capital was due primarily to sales of common stock.

We currently have no off-balance sheet arrangements.



**Cash Flows**

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

|   | <b>Six months ended June 30,</b> |              |
|---|----------------------------------|--------------|
|   | <b>2014</b>                      | <b>2013</b>  |
| Net cash used in operating activities     | \$ (1,602,186)                   | \$ (463,160) |
| Net cash used in investing activities     | (19,583)                         | (21,225)     |
| Net cash provided by financing activities | 2,848,883                        | 338,800      |

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.

**Going Concern**

We have incurred net losses since inception and have not fully commenced operations, 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 revenue, achieve profitable operations and repay our obligations when they come due. The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern.

**Critical Accounting Estimates**

Our condensed consolidated financial statements and the accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, and expenses. We continually evaluate the accounting policies and estimates used to prepare the condensed consolidated financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations and financial position are discussed in our Annual Report on Form 10-K/A for the year ended December 31, 2013 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."



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

As a smaller reporting company, we are not required to provide the information required by this Item.

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

Our management does not expect that our internal controls over financial reporting will prevent all errors and all fraud. Control systems, no matter how well conceived and managed, can provide only reasonable assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake.

Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of June 30, 2014, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, based on the material weaknesses discussed below, our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Act Commission's rules and forms and that our disclosure controls are not effectively designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our internal controls are not effective for the following reasons, (1) there are no entity level controls, because of the limited time and abilities of the Company's five officers, (2) there is no separate audit committee, and (3) there is a lack of segregation of duties, due to our limited personnel. As a result, the Company's internal controls have inherent weaknesses, which may increase the risks of errors in financial reporting under current operations and accordingly are not effective as evaluated against the criteria set forth in the Internal Control – Integrated Framework issued by the committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal controls over financial reporting were not effective as of June 30, 2014.

Going forward, we intend to evaluate our processes and procedures and, where practicable, implement changes in order to have more effective controls over financial reporting.

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

Other than engaging an accounting and financial consulting firm to assist with our technical accounting and the preparation of our SEC filings, there have been no changes in our internal control over financial reporting during the last quarterly period covered by this report, that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

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

Set forth below is an update of the litigation between the Company and Spirit Bear Limited and its affiliates (“Spirit Bear”). For a full description of the litigation among the parties, see the information previously provided in the Company’s filings with the Securities and Exchange Commission.

On April 7, 2014, management of the Company, except Mr. Banzhaf who had not yet been served, filed a Motion to Dismiss the Third Party Lawsuit for, among other things, lack of personal jurisdiction and failure to state a claim 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 an Emergency Motion for a Preliminary Injunction which seeks an Order from the Court requiring the Company to maintain an effective registration statement with the SEC applicable to the Company’s securities that Spirit Bear previously acquired. The Company has opposed the Motion for Preliminary Injunction. By Order dated August 5, 2014, the Court denied Spirit Bear’s Motion for Preliminary Injunction.

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 Amended Counterclaim sets forth various causes of action against the Company including Breach of the Securities Purchase Agreement, Breach of the Implied Covenant of Good Faith and Fair Dealing with respect to the Securities Purchase Agreement, Breach of the Registration Rights Agreement, Breach of the Implied Covenant of Good Faith and Fair Dealing with respect to the Registration Rights Agreement, Conversion, Declaratory Relief seeking a declaration that (a) Spirit Bear’s three designees to the Board (i.e. Palmer, Dwyer and Holt) remain holdover directors of the Company until their successors are elected, (b) every action taken by the Board since the annual meeting is not valid, (c) the Lincoln Park Registration Statement is not valid, (d) every action to be taken by the Board in the future is invalid, and (e).the amendment to HPEV’s Bylaws from plurality voting to majority voting and the election of directors that occurred at the annual meeting was improper and invalid. The Company has filed a Motion to Dismiss respecting the Amended Counterclaim.

On July 8, 2014, Spirit Bear filed a Motion for Partial Summary Judgment regarding the composition of the Company’s Board of Directors. The Motion seeks an Order from the Court declaring that HPEV’s Board is and has been comprised of six directors since March 6, 2013, which includes the Management Directors and the Spirit Bear Directors. The Company has opposed this Motion.

**Item 1A. Risk Factors**

As a smaller reporting company, we are not required to provide the information required by this Item.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

We made the following sales of common stock and five-year warrants to purchase shares of our common stock at a purchase price of \$0.60 per share, which have a cashless exercise feature, in private offerings to accredited investors during the six months ended June 30, 2014:

| <b>Date</b>      | <b>Common</b>    | <b>Warrants</b>  | <b>Proceeds</b>     |
|------------------|------------------|------------------|---------------------|
| February<br>2014 | 4,954,778        | 4,536,445        | \$ 2,289,152        |
| March<br>2014    | 1,116,673        | 950,007          | 527,500             |
| <b>Total</b>     | <b>6,071,451</b> | <b>5,486,452</b> | <b>\$ 2,816,652</b> |

We issued common stock in exchange for preferred stock held by an accredited investor, during the six months ended June 30, 2014, as follows:

| <b>Date</b>  | <b>Common</b>    | <b>Preferred</b> |
|--------------|------------------|------------------|
| March 2014   | 1,950,000        | (39)             |
| April 2014   | 500,000          | (10)             |
| <b>Total</b> | <b>2,450,000</b> | <b>(49)</b>      |

We issued common stock to accredited investors in exchange for services during the six months ended June 30, 2014, as follows:

| <b>Date</b>  | <b>Common</b>  | <b>Consideration</b> |
|--------------|----------------|----------------------|
| March 2014   | 195,000        | \$ 302,250           |
| June 2014    | 310,000        | 294,500              |
| <b>Total</b> | <b>505,000</b> | <b>\$ 596,750</b>    |

We issued warrants for our common stock to accredited investors in exchange for services during the six months ended June 30, 2014, as follows:

| <b>Date</b>   | <b>Warrants</b>  | <b>Consideration</b> |
|---------------|------------------|----------------------|
| February 2014 | 2,914,666        | \$ 1,709,161         |
| March 2014    | 2,402,000        | 4,368,574            |
| May 2014      | 400,000          | 318,205              |
| <b>Total</b>  | <b>5,716,666</b> | <b>\$ 6,395,940</b>  |

We issued to employees stock options for our common stock in exchange for services during the six months ended June 30, 2014, as follows:

| <b>Date</b>  | <b>Options</b>   | <b>Consideration</b> |
|--------------|------------------|----------------------|
| March 2014   | 5,000,000        | \$ 7,950,000         |
| May 2014     | 1,000,000        | 1,600,000            |
| <b>Total</b> | <b>6,000,000</b> | <b>\$ 9,550,000</b>  |

None of the above issuances involved any underwriters, underwriting discounts or commissions, or any public offering. We believe the issuances 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 3. Defaults Upon Senior Securities**

None.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

32.1 Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS \*\* XBRL Instance Document

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

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

101.DEF \*\* XBRL Taxonomy Extension Definition Linkbase Document

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

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

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\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.



**SIGNATURES**

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

**HPEV, Inc.**

Dated: August 13, 2014

By: */s/ Timothy Hassett*  
Timothy Hassett  
Its: Chief Executive Officer

(Principal Executive Officer)

Dated: August 13, 2014

By: */s/ Quentin Ponder*  
Quentin Ponder  
Its: Chief Financial Officer

(Principal Financial and Accounting  
Officer)