

COOL TECHNOLOGIES, INC.
Form 10-Q
November 20, 2017

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 September 30, 2017

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

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

Nevada
(State or other jurisdiction of

75-3076597
(I.R.S. Employer

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incorporation or organization)

Identification No.)

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
		Emerging growth company	..

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

As of November 13, 2017, there were 152,383,654 shares of common stock, \$0.001 par value, issued and outstanding.

COOL TECHNOLOGIES, 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 sales and revenues; 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.

Table of Contents**PART I. Financial Information****Item 1. Condensed Consolidated Financial Statements**

Cool Technologies, Inc. and subsidiary
Condensed Consolidated Balance Sheets

	September 30,	December 31,
	2017	2016
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 456,545	\$ 62,291
Prepaid expenses and other assets	46,999	--
Total current assets	503,544	62,291
Intangibles	182,082	166,402
Equipment, net	52,212	71,664
Total assets	\$ 737,838	\$ 300,357
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,693,239	\$ 1,595,883
Accrued liabilities – related party	496,534	553,953
Customer deposits – related party	400,000	400,000
Accrued payroll taxes	106,917	93,512
Debt, current portion, net of debt discount	1,042,812	825,170
Derivative liability	20,740	4,851,760
Total current liabilities	3,760,242	8,320,278
Debt, long-term portion, net of debt discount	23,627	18,311
Total liabilities	3,783,869	8,338,589
Commitments and contingencies (Note 5)	--	--
Stockholders' equity (deficit):		
Preferred stock, \$.001 par value; 15,000,000 shares authorized; 2,727,303 and 3,636,360 Preferred A and Preferred B shares issued and outstanding at September 30, 2017 and December 31, 2016, Respectively	2,727	3,636
	144,444	110,865

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Common stock, \$.001 par value; 350,000,000 shares authorized; 146,016,834 and 111,438,236 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively

Preferred stock payable	--	51,000
Common stock payable	554,000	--
Additional paid-in capital	40,517,316	31,981,116
Common stock issuable	0	125,500
Common stock held in escrow	8,441	8,441
Accumulated deficit	(44,222,918)	(40,188,414)
Total deficit	(2,995,990)	(7,997,856)
Noncontrolling interest in subsidiary	(50,041)	(40,376)
Total stockholders' deficit	(3,046,031)	(8,038,232)
Total liabilities and stockholders' deficit	\$ 737,838	\$ 300,357

See accompanying notes to condensed consolidated financial statements.

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Cool Technologies, Inc. and subsidiary
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended				Nine months ended			
	September 30,				September 30			
	2017		2016		2017		2016	
Revenues	\$	--	\$	--	\$	--	\$	--
Cost of revenues		--		--		--		--
Gross profit		--		--		--		--
Operating expenses								
Payroll and related expenses		132,754		129,668		397,702		540,320
Consulting		309,968		157,500		641,997		1,523,041
Professional fees		72,210		33,113		176,493		241,488
Research and development		77,034		156,484		188,832		175,739
General and administrative		92,152		63,130		235,190		661,420
Total operating expenses		684,118		539,895		1,640,214		3,142,008
Operating loss		(684,118)		(539,895)		(1,640,214)		(3,142,008)
Other income (expense):								
Interest expense, net		(295,064)		(207,087)		(861,409)		(1,023,819)
Change in fair value of derivative liability		(5,148)		409,994		(1,542,548)		1,164,807
Loss on Extinguishment of Debt		--		(56,221)		--		(628,510)
Net loss		(984,330)		(393,209)		(4,044,171)		(3,629,530)
Less: Noncontrolling interest in net loss		(3,276)		(3,389)		(9,665)		(9,134)
Net loss to shareholders	\$	(981,054)	\$	(389,820)	\$	(4,034,506)	\$	(3,620,396)
Net loss per common share:								
Basic and diluted	\$	(0.01)	\$	(0.005)	\$	(0.03)	\$	(0.04)
Weighted average common shares outstanding:								
Basic and diluted		137,153,770		84,142,499		123,840,788		80,677,522

See accompanying notes to condensed consolidated financial statements

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Cool Technologies, Inc. and subsidiary
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended	
	September 30,	
	2017	2016
Operating Activities:		
Net loss	\$ (4,044,171)	\$ (3,629,530)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	115,329	332,090
Warrants issued for services	204,597	1,188,933
Loss on extinguishment of debt	--	628,510
Employee stock options	--	327,000
Non-cash interest expense	47,737	307,097
Change in fair value of derivative liability	1,542,548	(1,164,807)
Amortization of debt discount	791,528	657,426
Depreciation expense	19,452	19,452
Changes in operating assets and liabilities:		
Prepaid expenses	(46,999)	95,175
Accounts payable	97,356	291,444
Accrued liabilities – related party	(57,419)	54,732
Accrued payroll liabilities	13,405	59,775
Net cash used in operating activities	(1,316,637)	(832,703)
Investing Activities:		
Intangible assets	(15,680)	(7,736)
Net cash used in investing activities	(15,680)	(7,736)
Financing Activities:		
Proceeds from issuance of notes payable	574,985	--
Payment of notes payable	(14,414)	--
Issuance of common stock for cash, net of costs	1,166,000	--
Proceeds from sale of common stock	--	555,500
Proceeds from debt	--	643,347
Payments on debt	--	(368,563)
Net cash provided by financing activities	1,726,571	830,284
Net increase (decrease) in cash	394,254	(10,155)
Cash, beginning of period	62,291	10,882

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Cash, end of period	\$	456,545	\$	727
Supplemental cash flow information:				
Cash paid for:				
Interest	\$	14,133	\$	27,092
Income taxes		--		--
Non-cash investing and financing activities:				
Derivative liability offset by debt discount	\$	54,985	\$	281,329
Reduction of common stock payable by issuing Stock		105,000		465,400
Reduction of preferred stock payable by issuing stock		51,000		
Debt and interest settled for common stock		492,340		1,014,756
Reclassification of common share equivalents to additional paid-in capital		(6,364,224)		

See accompanying notes to condensed consolidated financial statements.

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Cool Technologies, Inc. and subsidiary
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Description of Business and Summary of Significant Accounting Policies

Description of Business

Cool Technologies, Inc. and subsidiary, (we, us, our, the "Company" or "Cool Technologies") was incorporated in the State of Nevada in July 2002. In April 2014, we formed Ultimate Power Truck, LLC ("Ultimate Power Truck" or "UPT"), of which we own 95% and a shareholder of Cool Technologies owns 5%. We were formerly known as Bibb Corporation, as Z3 Enterprises, and as HPEV Inc. On August 20, 2015, we changed our name to Cool Technologies, Inc.

We have developed and intend to commercialize heat dispersion technologies in various product platforms, and have developed and are commercializing a parallel power gearing system around which we have designed a mobile power generation system that retrofits onto Class 3 to 7 work trucks. In preparation, we have applied for trademarks for one of our technologies and its acronym. We currently own one trademark: 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 motors/generators and fleet vehicles. 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 two distinct but complementary categories: a) mobile power generation and b) heat dispersion technology. As of September 30, 2017, we have seven US patents, one granted Mexican patent, four pending applications and one filed provisional application in the area of composite heat structures, mo