HPEV, INC.
Form 10-Q
November 19, 2013

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

o 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
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8875 Hidden River Parkway, Suite 300 Tampa, FL	33637
(Address of principal executive offices)	(Zip Code)

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

(Former name, if changed since last report)

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

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 o No x.

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	o	Accelerated filer	o
Non-accelerated filer	o	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 o No x.

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No o

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of November 8, 2013, there were 48,695,373 shares of common stock, $0.001 par value, issued and outstanding.

HPEV, INC.

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PART I – FINANCIAL INFORMATION

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the "Exchange Act"). These statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning our possible or assumed future results of operations set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements also include statements in which words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider" or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

ITEM 1 Financial Statements

HPEV, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	As of 9/30/2013 (Unaudited)	As of 12/31/2012 (Restated)
ASSETS		
Current assets		
Cash	$889,420	$194,721
Prepaid expenses	-	373,679
Loan receivable	17,858	-
Total current assets	907,278	568,400
Intangible	98,697	73,582
Total assets	$1,005,975	$641,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$85,829	$177,280
Accounts payable – related party	-	52,305
Short term loan-related parties	208,250	-
Notes payable-related party	22,910	34,110
	316,989	263,695
Stockholders' equity		
Preferred stock: $.001 par value: 15,000,000 shares authorized, 200 shares issued and outstanding as of September 30, 2013	-	-
Common stock; $.001 par value; 100,000,000 shares authorized, 44,085,441 shares issued and outstanding as of September 30, 2013	48,951	42,970
Additional paid-in capital	8,091,757	6,116,420
Common stock held in escrow	8,441	39,469
Accumulated deficit during development stage	(7,460,163)	(5,820,572)
	688,986	378,287
	$1,005,975	$641,982

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

HPEV, INC.

(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	ThreeMonths Ended		Nine Months Ended		From Inception (March 24, 2011) through
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013
Revenue	$-	$-	$-	$-	$-
Cost of goods sold	-	-			-
Gross profit	-	-	-	-	-
Operating expenses					
Director stock compensation	-	-	-		-
Consulting	220,493	501,923	805,086	1,408,002	4,312,058
Professional fees	123,160	19,480	209,529	162,984	1,195,147
Research and development	212,389	4,744	302,089	453,875	659,161
General and administrative	138,985	4,561	322,887	64,427	474,751
Loss on deposit	-	-	-	-	100,000
Loss on intangible property	-	-	-	-	75,000
Total operating expenses	695,027	530,708	1,639,591	2,089,288	6,816,117
Other Income & Expenses					
Interest Expense	-	180,714	-	282,871	(277,545)
Finance Cost	-	315,773	-	513,599	(622,522)
Gain on settlement of debt	-	-	-	-	256,021
Net loss	$(695,027)	$(1,027,195)	$(1,639,591)	$(2,885,758)	$(7,460,163)
Basic loss per common share	$(0.01)	$(0.02)	$(0.03)	$(0.06)	$(0.13)
Diluted loss per common share	$(0.01)	$(0.02)	$(0.02)	$(0.06)	$(0.10)
Basic weighted average common shares outstanding	46,181,529	47,646,411	45,545,420	47,864,741	45,604,990
Diluted weighted average common shares outstanding	56,573,244	47,618,639	56,123,298	48,130,769	52,406,808

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

HPEV, Inc.

(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Operating activities:		
Net loss	$(1,639,591)	$(235,758)
Adjustments to reconcile net loss to Net cash used by operating activities:		-
Stock issued for consulting services	373,679	1,201,520
Gain on settlement of debt	-	-
Warrants issued for loan penalty	-	68,223
Warrants issued for interest		209,258
Amortization of financing cost	-	513,599
Director stock compensation from shareholder	-	(2,650,000)
Changes in operating assets and liabilities:		
Increase in accrued interest	-	5,380
Increase in accounts payable related party	(52,305)	66,500
Decrease in accounts payable	(91,451)	272,627
Net cash used by operating activities	(1,409,668)	(548,651)
Investing activities:		
Increase of intangible assets	(25,115)	(25,193)
Loan receivable	(17,858)	-
Net cash used by investing activities	(42,973)	(25,193)
Financing activities:		
Proceeds from sale of common stock	1,950,290	5,000
Proceeds from notes payable		436,222
Proceeds from notes payable – related party	(11,200)	55,470
Payments on notes payable - related party	208,250	(1,200)
Net cash provided by financing activities	2,147,340	495,492
Net increase (decrease) in cash	694,699	(78,352)
Cash, beginning of period	194,721	78,361
Cash, end of period	889,420	19
Supplemental schedule of non –cash Activities		
Shares issued for services	-	(800,069)
Assumed as part of reverse merger	-	8,000,000

Warrants granted as finance cost	-	(108,924)

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

HPEV, INC.

(A Nevada Corporation)
Notes to the Condensed Consolidated Financial Statements
September 30, 2013
(Unaudited)

The accompanying condensed consolidated financial statements of HPEV, Inc. (“HPEV” or the “Company”) are unaudited, but in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary to fairly state the Company’s financial position, results of operations, and cash flows as of and for the dates and periods presented. The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the twelve months ended December 31, 2012, filed with the Securities and Exchange Commission (the “Commission”). The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2013 or for any future period.

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.

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.

NOTE 2 - GOING CONCERN

The accompanying 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 $7,460,163 during the period from March 24, 2011 (Date of Inception) through September 30, 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/or to obtain the necessary financing from shareholders or other sources to meet its obligations and repay its liabilities arising from normal business operations when they come due. At this time, the Company is 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 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.

It is possible management may decide that the Company cannot continue with its business operations as outlined in the current business plan because of a lack of financial resources and may be forced to seek other potential business opportunities that may be available.

HPEV, INC.

(A Nevada Corporation)
Notes to the Condensed Consolidated Financial Statements
September 30, 2013
(Unaudited)

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 condensed consolidated financial statements. The condensed 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 condensed consolidated financial statements.

Basis of Presentation

The accompanying unaudited condensed interim 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.

The unaudited condensed interim consolidated financial statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These condensed financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2012 included in Annual Report on Form 10-K. The results of the three month period ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

Cash and Cash Equivalents

For purposes of the statement of cash flows, 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 no cash equivalents as of September 30, 2013 and 2012.

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 September 30, 2013 and 2012, and for the period from inception to September 30, 2013, the Company did not report any revenues.

HPEV, INC.

(A Nevada Corporation)
Notes to the Condensed Consolidated Financial Statements
September 30, 2013
(Unaudited)

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 September 30, 2013, 199 preferred shares (which can be converted into common shares at a ratio of 1 to 50,000) and 13,202,245 warrants were outstanding.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157 Fair Value Measurements ("SFAS 157"), superseded by ASC 820-10, which defines fair value, establishes a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. The impact of adopting ASC 820-10 was not significant to the Company's condensed financial statements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The valuation of our derivative liability is determined using Level 1 inputs, which consider (i) time value, (ii) current market and (iii) contractual prices.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2013 and 2012. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued expenses, loan payable and notes payable – related party.

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HPEV, INC.

(A Nevada Corporation)
Notes to the Condensed Consolidated Financial Statements
September 30, 2013
(Unaudited)

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 FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”), superseded by 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.

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.

Employee Stock Based Compensation

The FASB issued SFAS No.123 (revised 2004), Share-Based Payment, which was superseded by ASC 718-10. 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 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 September 30, 2013, the Company has not implemented an employee stock based compensation plan.

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(Unaudited)

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 EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services, which was superseded by 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.

Use of Estimates

The process of preparing condensed 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 financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Capital Investment For Equipment

Capital investment for equipment over $10,000 with a measurable life will be capitalized and depreciated over the life of the equipment. Capital investment for equipment which is utilized in research and development and which cannot be utilized except for a particular R & D project will be expensed in the year the equipment is obtained

Recent accounting standards

The Company has evaluated the recent accounting pronouncements through ASU 2013-05 and believes that none of them will have a material effect on the Company’s financial statements.

HPEV, INC.

(A Nevada Corporation)
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September 30, 2013
(Unaudited)

NOTE 4 - LOSS PER SHARE

Components of loss per share for the three months ended September 30, 2013 and 2012 are as follows:

	For the Nine Months Ended September 30, 2013	For the Nine Months Ended September 30, 2012
Net loss attributable to common stockholders	$(1,639,591)	$(2,885,758)
Weighted average shares outstanding	45,545,420	47,864,741
Basic and diluted loss per share	$(0.03)	$(0.06)

NOTE 5 – CAPITAL STOCK

Preferred Stock

The Company has 15,000,000 preferred shares authorized and 199 Series A Convertible Preferred Stock issued and outstanding as of September 30, 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 $313,777.62 was paid in cash and $186,222.38 was paid by cancelation of $186,222.38 in outstanding indebtedness held by the Purchaser.

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The Company and the Purchaser 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 increased to 50,000 shares of Commons Stock. See 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.

Pursuant to the Securities Purchase Agreement, which was subsequently revised on April 12, 2013, the Company may sell the Purchaser 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 Purchaser 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 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 Purchaser 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, Purchaser 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.

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September 30, 2013
(Unaudited)

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

On February 20, 2013, the Board of Directors, consisting at the time of Tim 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.

Also on February 20, 2013, the Board of Directors, consisting at the time of Tim 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.

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 Ted 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.

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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 a 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, as contemplated by the Settlement 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 200 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

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 canceled. 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.

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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.

A number of warrants were also included in the Securities Purchase Agreement. (See below under Warrants and Options)

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 canceled 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 shares were removed from outstanding and classified as held in escrow in the amount of $39,469 based on the historical value of shares.

On December 17, 2012, pursuant to the Spirit Bear investment, two officers of the Company agreed to forgo accrued salaries totaling $70,000. The debt forgiveness was accounted for as additional paid-in capital.

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 as well as the payment of $5,000 cash, to satisfy an outstanding balance of $30,975.

On May 17, 2013, the Company issued 750,000 shares of restricted common stock valued at $0.23 per share to an accredited investor in exchange for $250,000 in funding. The investor also received warrants to purchase 1,200,000 shares of common stock at a purchase price of forty eight cents ($0.48) per share (See Note 6: Warrants and Options).

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 17, 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 17, 2013, whichever amount is lower.

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.

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 accredited investor was awarded an additional 336,956 shares of restricted common stock on August 14, 2013.

On June 10, 2013, the Company issued 225,000 shares of restricted common stock valued at $0.44 per share to an accredited investor in exchange for $100,000 in funding.

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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.

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.

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
an 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 investor also received warrants to purchase 225,000 shares of common stock at a purchase price of forty four cents ($0.44) per share (See Note 6: Warrants and Options).

On July 4, 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 sixty six cents ($0.66) 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 will file a registration statement on Form S-1with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

On July 11, 2013, the Company issued 222,222 shares of restricted common stock valued at $0.44 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 sixty six cents ($0.66) 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 will file a registration statement on Form S-1with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

On July 12, 2013, the Company issued 225,000 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 337,500 shares of common stock at a purchase price of sixty cents ($0.60) per share (See Note 6: Warrants and Options).

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 will file a registration statement on Form S-1with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

On July 16, 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 sixty nine cents ($0.69) per share.

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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 will file a registration statement on Form S-1with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

On July 16, 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 sixty nine cents ($0.69) 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 will file a registration statement on Form S-1with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

On July 17, 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 sixty six cents ($0.66) 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 will file a registration statement on Form S-1with the Securities and Exchange Commission to register the Common Stock and the Warrant Shares purchased for resale.

On July 17, 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 sixty six cents ($0.66) 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 will 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.

On July 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 fifty nine cents ($0.59) 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 will 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.

On July 23, 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 fifty eight cents ($0.58) per share.

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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 will 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.

On July 24, 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 83,333 shares of common stock at a purchase price of forty nine cents ($0.49) 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 will 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.

On July 25, 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 fifty four cents ($0.54) 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 will 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.

On July 25, 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 fifty four cents ($0.54) 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 will 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.

On July 25, 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 fifty four cents ($0.54) 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 will 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.

On July 25, 2013, the Company issued 388,889 shares of restricted common stock valued at $0.45 per share to an accredited investor in exchange for $175,000 in funding. The investor also received warrants to purchase 388,889 shares of common stock at a purchase price of fifty four cents ($0.54) per share.

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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.

On August 7, 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 fifty six cents ($0.56) per share.

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.

On August 14, 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 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.

On August 14, 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 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.

On August 17, 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 fifty six cents ($0.56) per share.

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.

As a consequence of the cashless exercise of 100,000 shares of a warrant totaling 303,569 shares, David Serepca of McMahon, Serepca, LLP was awarded 48,328 shares of unrestricted common stock on August 19, 2013.

On August 23, 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.

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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.

On August 24, 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 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.

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 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 in the 3rd quarter of 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 as well as an increase in the financing activities shown on the cash flow statement.

NOTE 6 – WARRANTS AND OPTIONS

Warrants

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 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.

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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.

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 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.

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 totaled 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.

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On May 17, 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. The investor also received warrants to purchase 1,200,000 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 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.

On June 10, 2013, an accredited investor purchased 225,000 shares of common stock in exchange for $100,000. 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 an additional 196,875 shares of restricted common stock on September 9, 2013. The investor also received warrants to purchase 225,000 shares of common stock at a purchase price of forty four cents ($0.44) per share.

On July 4, 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 4 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 11, 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 11, 2016, an aggregate of 222,222 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 12, 2013, an accredited investor purchased 225,000 shares of common stock and 337,500 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 12, 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 16, 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.

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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 16, 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 17, 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 17, 2016, an aggregate of 222,222 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 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 17, 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 19, 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 19, 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 23, 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 23, 2016, an aggregate of 55,555 shares of common stock at an exercise price of $0.58. 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 23, 2013, the Company awarded Monarch Bay Securities, LLC warrants to purchase 200,000 shares of common stock as a retainer. In return, Monarch Bay agreed to act 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 forty nine cents ($0.49) per share. The warrants will remain effective for 60 months and may be executed on a cashless basis.

On July 24, 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 25, 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 25, 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 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.

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On July 25, 2013, an accredited investor purchased 222,222 shares of common stock and 222,222 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 25, 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 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 July 25, 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 25, 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 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 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 7, 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 7, 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.

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.

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 Limited would forego the additional warrants Spirit Bear Limited 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 warrants exercise price is $0.35 cents per share and they may be exercised on a cashless basis. The warrants expire on

the earlier of the date that is the fourth (4th) anniversary of the Issue Date or the date that is four (4) months after the second (2nd) anniversary of the date a Post-Effective amendment to registration statement or post effective amendments to registration statements of the Company filed under the Securities Act covering the Series shall have been declared to be effective by the SEC.

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On August 14, 2013, an accredited investor purchased 166,667 shares of common stock and 250,000 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 February 14, 2016, an aggregate of 250,000 shares of common stock at an exercise price of $0.58. 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 14, 2013, an accredited investor purchased 111,111 shares of common stock and 166,667warrants 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, 2016, an aggregate of 166,667 shares of common stock at an exercise price of $0.58. 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 17, 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 17, 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 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 23, 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 23, 2016, an aggregate of 55,555 shares of common stock at an exercise price of $0.37. 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 24, 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 24, 2016, an aggregate of 111,111 shares of common stock at an exercise price of $0.37. 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 September 9, 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 March 9, 2016, an aggregate of 222,222 shares of common stock at an exercise price of $0.43. 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.

For all investments received in the 2nd and 3rd quarter of 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 as well as an increase in the financing activities shown on the cash flow statement.

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The following is a summary of the status of all of the Company's stock warrants as of September 30, 2013 and changes during the nine months ended on that date:

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	8,091,435	$ 0.48	3.71
Granted	8,091,435	$ 0.48	3.71
Exercised	-	$ 0.00	-
Cancelled	-	$ 0.00	-
Outstanding at September 30, 2013	13,302,245	$ 0.38	2.47
Granted	3,706.941	$ 0.60	2.61
Exercised	100,000		
Cancelled	-		
Exercisable at September 30, 2013	4.461.970	$ 0.34	1.92

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 Tim 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 Tim 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 Ted 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.

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NOTE 7 – 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 is 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) $12,500 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) $14,500 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 salaries forgiven by two officers on December 17, 2012, the accruals for all unpaid salaries 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 September 30, 2013, Judson Bibb, Director, advanced $22,910 in interest free, unsecured, due on demand funds. As of September 30, 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.

NOTE 8 – 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.

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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 has been accreted and charged to financing cost expense in the amount of $622,523 as of 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 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 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 21, 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 canceled 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 canceled on January 14, 2012. That left 1,000,000 shares remaining in escrow and a total of 43,970.411 shares of common stock outstanding.

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NOTE 9 - INTELLECTUAL PROPERTY

As of September 30, 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 was capitalized as an asset.

NOTE 10 - 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. As of September 30, 2013, the prepaid balance is $0.

NOTE 11 - COMMON STOCK RECEIVABLE

On September 2, 2011, the Company and Richard Glisky signed a Rescission Agreement ("the Agreement) to rescind an Agreement for the Acquisition of Harvest Hartwell CCP, LLC (HHCCP), a Michigan limited liability company. The Agreement for Acquisition was originally signed on September 30, 2010.

As called for in the Rescission Agreement, the Company assigned 100% of its interests in HHCCP to the previous owner, Richard Glisky. Richard Glisky, in turn, assigned 1,920,000 shares of Company common stock back to the Company which the Company intended to have cancelled. On February 23, 2012, 1,920,000 shares of the Company common stock was returned to the Company and canceled. Consequently, the Company had an $8,000,000 stock receivable removed from its books.

Certain Relationships and Related Transactions

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.

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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, 3,676,000 shares were cancelled and returned to treasury.

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.

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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 Tim 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) $12,500 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) $14,500 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. The salaries will not be paid until and unless the Company raises $1 million.

The board, consisting at that time of Tim 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 contests 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 hereinbelow.

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In addition, the board, consisting at that time of Tim Hassett, Quentin Ponder and Judson Bibb, 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, Tim Hassett will accrue $12,500 a month, Ted Banzhaf will accrue $14,500 a month, Quentin Ponder will accrue $10,000 a month and Judson Bibb will accrue $8,000 a month. As noted above, the accruals began on January 15, 2013.

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 Purchaser.

The Company and the Purchaser 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").

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 (Subsequently increased to 50,000 shares of Common Stock. See below).

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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 Purchaser 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 Purchaser 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 Purchaser, 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 Purchaser 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, Purchaser 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 Purchaser entered into a Patent and Securities Agreement. Pursuant to the Patent and Security Agreement, the Company may, under certain circumstances, grant to the Purchaser a security interest in certain patents set forth in the Patent and Security Agreement.

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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 Tim 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 Tim 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 Ted 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, 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.

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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 200 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 Settlement 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.

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, SBL 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 SBL agreed that SBL would forego the additional warrants SBL 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 warrants exercise price is $0.35 cents per share and they may be exercised on a cashless basis. The warrants expire on the earlier of the date that is the fourth (4th) anniversary of the Issue Date or the date that is four (4) months

after the second (2nd) anniversary of the date a Post-Effective Amendment to registration statement or Post Effective Amendments to registration statements of the Company filed under the Securities Act covering the Series shall have been declared to be effective by the SEC.

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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 - SUBSEQUENT EVENTS

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.

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, SBL 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 SBL agreed that SBL would forego the additional warrants SBL 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.

On October 15, 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 15, 2016, an aggregate of 222,222 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.

For all investments received in the 2nd and 3rd quarters of 2013, the cash received from the accredited 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 as well as an increase in the financing activities shown on the cash flow statement.

On October 15, 2013, HPEV filed a motion for declaratory relief to streamline the litigation between the Company and Spirit Bear Limited, Jay Palmer, Carrie Ann Dwyer and Donica Holt (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 which would then ratify that Spirit Bear has waived any claims it may have against the Company.

* * * * * *

ITEM 2 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 (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). 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 Securities and Exchange Commission.

Although the forward-looking statements in this Quarterly Statement reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and 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. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

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, its unaudited financial statements and related notes elsewhere in this Form 10-Q, which have been prepared in accordance with accounting principles generally accepted in the United States.

Background/Plan of Operation

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

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'.

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 initial target markets include those involved in moving materials and moving people, such as:

Motors/Generators,
Mobile Generators,
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,
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 technology.

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 thermal dispersion technology removes heat via patented heat pipe technologies. 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. 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:

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

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

Savings from reduced maintenance costs,
Savings from the standardization of multiple platforms down to a single platform,
Savings from the standardization of drawings and data around existing platforms,
Savings from the ability to use standard designs and standard insulation systems vs. custom, and
Savings from 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.

We have entered into product development agreements with manufacturing partners. We hope that we will begin to enter into license agreements, subject to successful 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 has been completed.

We currently expect to have two applications for the technology approved by potential licensees by the end of 2013. As a result, we expect to begin to generate revenues from our heat dispersion technology business in the first quarter of 2014.

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Mobile Electric Power

A proprietary gearing system the Company developed for our electric load assist (see below) can also be used to power an on-board generator with the result that commercial vehicles no longer need to tow a mobile generator to a work site. Management believes it has uncovered an immediate need for on-board, continuous generation of up to 250 kW of power to remote jobsites as well as the mobile generation of emergency power in the event of an outage or disaster. Consequently, we intend to offer an on-board generator installation kit as a stand-alone (Mobile Generator) and as part of a hybrid conversion (the Ultimate Work Truck).

Based upon the anticipated final testing of the technology by the end of the year, we currently expect to begin to generate revenues from our mobile electric power technology business in the first quarter of 2014.

Electric Load Assist (ELA) 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 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 enables 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, the ELA vehicle can operate on the remaining system. In current market offerings, if either system fails, the vehicle fails.

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, our ELA system business will implement a simple version of its technology for on-board mobile generator and we hope to generate revenue from transport companies and other businesses which own and/or manage fleets of Class 2, 3, 4 and 6 vehicles 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.

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, 2012 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 balance many factors and begin to generate revenue so that we can fund our operations from our sales and revenues. If we are not able to do this, we may not be able to continue as an operating company.

Results of Operations

Comparison of Three Months Ended September 30, 2013 and 2012

Revenues

During the three months ended September 30, 2013, we had no revenues. We did not generate any revenues during the three month period ended September 30, 2012.

Operating Expenses

Total operating expenses for the three months ended September 30, 2013 were $695,027, consisting of consulting fees ($220,493), professional fees ($123,160), research and development ($212,389), and general and administrative expenses ($138,985) as we worked to raise capital to fund operations and secure the equipment and software necessary to implement the requirements of the memoranda of understanding that had been negotiated with global manufacturers. This is compared to our operating expenses for the three months ended September 30, 2012 of $530,708, consisted of consulting fees ($501,923), professional fees ($19,480), research and development ($4,744), and general and administrative expenses ($4,561) as we filed new patents, created proposals and negotiated memoranda of understanding with global manufacturers as well as continued to raise capital to fund operations and to implement the requirements of the memoranda.

The 31% increase in operating expenses was due primarily to increased research and development expenses and professional fees. General and administrative expenses increased as the Company began to pay salaries instead of deferring them as was done in the third quarter of 2012 because funds had become available.

Net Loss

Our net loss for the three months ended September 30, 2013 and three months ended September 30, 2012 was $695,027 and $1,027,195, respectively.

Comparison of the Nine months ended September 30, 2013 and 2012

Revenues

For the nine months ended September 30, 2013 and September 30, 2012, we had no revenues.

Operating Expenses

We incurred total operating expenses of $1,639,591 for the nine month period ended September 30, 2013, as compared to total operating expenses of $2,885,758 for the nine month period ended September 30, 2012. Operating expenses for the nine month period ended September 30, 2013 consisted of consulting fees ($805,086), professional fees ($209,529), research and development ($302,089), and general and administrative expenses ($322,887), as compared to said expenses for the nine month period ended September 30, 2012 which consisted of consulting fees ($1,408,002), professional fees ($162,984), research and development ($453,875), and general and administrative expenses ($64,427).

The decrease in net operating loss for the nine months ended September 30, 2013 is due primarily to reductions in consulting fees as well as research and development of $602,916 and $151,786, respectively. The reductions were the result of budget tightening and the shift in focus from planning and engineering for our initial hybrid conversion to the incorporation of our thermal technology into electric motors manufactured by two different companies. Otherwise, professional fees increased by $46,545 due to new legal representation and involvement in litigation whereas general and administrative costs rose by $258,460 as the company began to pay salaries instead of deferring them.

Net Loss

For the nine month period ended September 30, 2013, we incurred a net loss of $1,639,591 or $0.04 per share as compared to a net loss of $2,885,758 or $0.06 per share, for the nine month period ended September 30, 2012.

Liquidity and Capital Resources

During the three months ended September 30, 2013, because we did not generate any revenues, we had negative operating cash flows. Our cash on hand as of September 30, 2013 was $648,320, which came from the sale of securities to accredited investors. Our monthly cash flow burn rate is approximately $150,000. As a result, we will have significant cash needs next year. If we are not successful at generating revenues from sales and/or license fees, we anticipate that these needs will need to be satisfied through the sale of our securities until such time as our cash flows from operations will satisfy our cash flow needs.

Our cash, current assets, total assets, current liabilities, and total liabilities as of September 30, 2013 and December 31, 2012, respectively, are as follows:

	September 30, 2013 (Unaudited)	December 31, 2012	Change
Cash	$889,420	$194,721	$694,699
Total Current Assets	907,278	568,400	338,878
Total Assets	1,005,975	641,982	363,993
Total Current Liabilities	316,989	263,695	53,294
Total Liabilities	$316,989	$263,695	$53,294

Our cash increased by $694,699 as of September 30, 2013 as compared to December 31, 2012 due to a significant increase in fundraising. Our total current assets, and total assets, increased by $338,878 and $363,993, respectively, during the same period, primarily for the same reason, but also as a result of prepaid expenses that were reduced to $0.

Our current liabilities increased by $53,294 as of September 30, 2013 as compared to December 31, 2012 primarily because of short term loans from related parties of $208,250. Our total liabilities increased by the same $53,294 for the same reasons.

Sources and Uses of Cash

Operations

Our net cash used by operating activities for the nine month period ended September 30, 2013 was $1,409,668 which consisted of our net loss from operations of $1,639,591, offset by an increase in accounts payable of $91,451, and by stock issued for services of $373,679.

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Investments

Our net cash used by investing activities for the nine month period ended September 30, 2013 totaled $42,973 and consisted of an increase in intangible assets of ($25,115) and cash advanced to an officer of ($17,858).

Financing

Our net cash provided by financing activities for the nine month period ended September 30, 2013 was $1,950,290, which consisted primarily of proceeds from the sales of equity securities to fifteen accredited investors.

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

The Company's management does not expect that its internal controls over financial reporting will prevent all error 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 the realities 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.

(a) 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, 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 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.

(b) Management's Quarterly Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act.

Internal control over financial reporting is defined under the Exchange Act as a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

-- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

-- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

-- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because we have only four officers, the Company's 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 four officers, and (2) there is no separate audit committee. As a result, the Company's internal controls have an inherent weakness 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 September 30, 2013.

Even though there are inherent weaknesses, management has taken steps to minimize the risk. As for bank cash, an outside accountant reconciled the bank accounts and they were found to be accurate. The uses of the infusion of cash from the investments of accredited investors were accounted for by the outside accountant and were appropriate under GAAP. A forensic accountant who is a certified fraud examiner reviewed the financials and agreed they fairly represented the financial results in the first, second, and third quarters.

(c) Remediation of Material Weaknesses

To remediate the material weakness in our documentation, evaluation and testing of internal controls we hope to engage a third-party firm to assist us in remedying this material weakness. Because all available funds are currently being invested in the development of the Company's technology, we have not started our remediation as of the date hereof.

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over the financial reporting during our second quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

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 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 HPEV against Tim Hassett, Ted 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 Tim 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 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 15, 2013, HPEV filed a motion for declaratory relief 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 seeks a declaration that the resolutions 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 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.

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

On July 4, 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 4, 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. 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 11, 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 11, 2016, an aggregate of 222,222 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.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 12, 2013, an accredited investor purchased 225,000 shares of common stock and 337,500 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 12, 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.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 16, 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 January16, 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.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 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 16, 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. 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 17, 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 17, 2016, an aggregate of 222,222 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.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 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 17, 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.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 19, 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 19, 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.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 23, 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 23, 2016, an aggregate of 55,555 shares of common stock at an exercise price of $0.58. 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.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 24, 2013, an accredited investor purchased 55,555 shares of common stock and 55,555 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.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 25, 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 25, 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 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 July 25, 2013, an accredited investor purchased 222,222 shares of common stock and 222,222 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 25, 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 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 July 25, 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 25, 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 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.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 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.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 August 7, 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 7, 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. 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 August 14, 2013, an accredited investor purchased 166,667 shares of common stock and 250,000 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 February 14, 2016, an aggregate of 250,000 shares of common stock at an exercise price of $0.58. 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 August 14, 2013, an accredited investor purchased 111,111 shares of common stock and 111,111 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, 2016, an aggregate of 111,111 shares of common stock at an exercise price of $0.58. 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 August 14, 2013, an accredited investor was awarded an additional 336,956 shares of restricted common stock.

The Company originally issued 750,000 shares of restricted common stock valued at $0.333 per share to an accredited investor in exchange for $250,000 in funding on May 17, 2013.

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 17, 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 17, 2013, whichever amount is lower.

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 accredited investor was awarded the additional 336,956 shares of restricted common stock.The reset shares combined with the original shares received changed the overall value of the stock purchased to $0.23 per share.

On August 17, 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 17, 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 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 August 23, 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 23, 2016, an aggregate of 55,555 shares of common stock at an exercise price of $0.37. 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 August 24, 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 24, 2016, an aggregate of 111,111 shares of common stock at an exercise price of $0.37. 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 September 8, 2013, an accredited investor was awarded an additional 196,875 shares of restricted common stock. On June 10, 2013, the Company issued 225,000 shares of restricted common stock valued at $0.44 per share to an accredited investor in exchange for $100,000 in funding.

The accredited investor's stock subscription agreement included a reset provision which stated 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. The additional shares awarded lowered the stock purchase price to $0.237 per share.

On September 9, 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 March 9, 2016, an aggregate of 222,222 shares of common stock at an exercise price of $0.43. 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, 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 15, 2016, an aggregate of 222,222 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.

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ITEM 3 Defaults Upon Senior Securities

There have been no events which are required to be reported under this Item.

ITEM 4 Mine Safety Disclosures

Not applicable.

ITEM 5 Other Information

None.

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ITEM 6 Exhibits

(a) 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 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification Pursuant to 18 USC, Section 1350, as Adopted 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**

*Filed herewith.

**Furnished herewith.

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: November 19, 2013	By:	/s/ Timothy Hassett Name: Timothy Hassett Title: Chief Executive Officer
Dated: November 19, 2013	By:	/s/ Quentin Ponder Name: Quentin Ponder Title: Chief Financial Officer