HPEV, INC.
Form 10-Q/A
March 31, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

(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

¨ 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**

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

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	x

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

As of March 20, 2015, there were 61,728,102 shares of common stock, $0.001 par value, issued and outstanding.

EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-Q/A to amend and restate in their entirety Part I of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as originally filed with the Securities and Exchange Commission on November 19, 2013. This Form 10-Q/A includes Exhibits 31.1, 31.2, 32.1 and 32.2, new certifications by our principal executive officer and principal financial officer, as required by Rule 12b-15.

During the closing process for our December 31, 2013 Annual Report on Form 10-K, accounting errors were discovered that required restatement of amounts previously reported, related to under-accrued consulting fees, warrants issued for services, and shares issued for cash. Additionally, during the analysis of the restatement for the three and nine months ended September 30, 2013, we identified an error in the statement of operations for the nine months ended September 30, 2012, that were presented for comparative purposes in our September 30, 2013 Form 10-Q, related to the return of previously issued shares resulting in the reversal of expense. As a result of correcting these errors, our net loss decreased by $105,423 for the three months ended September 30, 2013, increased by $247,846 for the nine months ended September 30, 2013, and decreased $2,650,000 for the nine months ended September 30, 2012.

HPEV, INC.

Table of Contents

Part I – FINANCIAL INFORMATION

Part II – OTHER INFORMATION

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

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

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

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

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

4

PART I. Financial Information

Item 1. ***Financial Statements***

HPEV, Inc.

Condensed Consolidated Balance Sheets

	September 30, 2013 (Restated) (Unaudited)	December 31, 2012 (Previously Restated)
ASSETS		
Current assets:		
Cash	$ 889,420	$ 194,721
Prepaid finance costs	--	373,679
Total current assets	889,420	568,400
Intangibles	98,697	73,582
Total assets	$ 988,117	$ 641,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 210,237	$ 177,280
Accrued liabilities – related parties	208,250	52,305
Note payable – related party	22,910	34,110
Total current liabilities	441,397	263,695
Commitments and contingencies (Note 3)	--	--
Stockholders' equity:		
Preferred stock, $.001 par value; 15,000,000 shares authorized; 199 and 200 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	--	--
Common stock, $.001 par value; 100,000,000 shares authorized; 47,695,373 and 42,970,441 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	47,696	42,970
Additional paid-in capital	8,198,592	6,116,420
Common stock held in escrow	8,441	39,469
Accumulated deficit	(7,708,009)	(5,820,572)
Total stockholders' equity	546,720	378,287
Total liabilities and stockholders' equity	$ 988,117	$ 641,982

See accompanying notes to condensed consolidated financial statements.

5

HPEV, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013 (Restated)	2012 (Restated)	2013 (Restated)	2012 (Restated)
Revenues	$ --	$ --	$ --	$ --
Cost of revenues	--	--	--	--
Gross profit	--	--	--	--
Operating expenses				
Consulting	30,615	491,923	1,052,932	1,398,002
Professional fees	142,635	139,450	229,004	362,616
Research and development	212,389	4,744	302,089	453,875
General and administrative	203,965	4,620	322,887	84,053
Director stock compensation	--	--	--	(2,650,000)
Total operating expense (gain)	589,604	640,737	1,906,912	(351,454)
Operating income (loss)	(589,604)	(640,737)	(1,906,912)	351,454
Other income and (expense)				
Interest expense, net	--	(70,685)	--	(73,613)
Finance costs	--	(315,773)	--	(513,599)
Gain on settlement of debt	--	--	19,475	--
Net loss	$ (589,604)	$ (1,027,195)	$ (1,887,437)	$ (235,758)
Net loss per common share:				
Basic and diluted	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.00)
Weighted average common shares outstanding:				
Basic and diluted	46,181,529	47,646,411	45,545,420	47,864,741

See accompanying notes to condensed consolidated financial statements.

6

HPEV, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30, 2013 (Restated)	Nine months ended September 30, 2012 (Restated)
Operating Activities:		
Net loss	$ (1,887,437)	$ (235,758)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	373,679	1,201,520
Warrants issued for services	349,370	--
Warrants issued for interest	--	209,258
Warrants issued for loan penalties	--	68,233
Gain on settlement of debt	(19,475)	
Director stock compensation	--	(2,650,000)
Amortization of financing costs	--	513,599
Changes in operating assets and liabilities:		
Accounts payable	58,932	272,627
Accrued interest	--	5,380
Accrued liabilities – related parties	155,945	66,500
Net cash used in operating activities	(968,986)	(548,641)
Investing Activities:		
Intangible assets	(25,115)	(25,193)
Net cash used in investing activities	(25,115)	(25,193)
Financing Activities:		
Proceeds from sale of common stock	1,700,000	5,000
Proceeds from notes payable	--	436,222
Proceeds from note payable – related party	900	55,470
Payments on note payable – related party	(12,100)	(1,200)
Net cash provided by financing activities	1,688,800	495,492
Net increase (decrease) in cash	694,699	(78,342)
Cash, beginning of period	194,721	78,361
Cash, end of period	$ 889,420	$ 19
Cash paid for:		
Interest	$ --	$ --
Income taxes	$ --	$ --

See accompanying notes to condensed consolidated financial statements.

7

HPEV, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Description of Business

HPEV, Inc., (we, us, our, the "Company" or "HPEV") was incorporated in the State of Nevada in July 2002. We were formerly known as Bibb Corporation and Z3 Enterprises.

We have developed and intend to commercialize dispersion technologies in various product platforms, and have developed and intend to commercialize an electric load assist technology around which we have designed a vehicle retrofit system. We believe that our proprietary technologies, including our patent portfolio and trade secrets, can help increase the efficiency and positively affect manufacturing cost structure in several large industries beginning with motor/generator and fleet vehicles. The markets for products utilizing our technology include consumer, industrial and military markets, both in the U.S. and worldwide.

Our technologies are divided into three distinct but complementary categories: heat dispersion technology, mobile electric power and electric load assist. As of September 30, 2013, we have 5 patents and 5 patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as "thermal" or "heat dispersion technology") and a parallel vehicle power platform. We intend to commercialize our patents by licensing our thermal technologies and applications to electric motor, pump and vehicle component manufacturers; by licensing or selling a mobile electric power system powered by our proprietary gearing system to commercial vehicle and fleet owners; and by licensing a plug-in hybrid conversion system for heavy duty trucks, buses and tractor trailers to fleet owners and service centers.

Basis of Presentation

The accompanying condensed consolidated balance sheet as of December 31, 2012, has been derived from audited financial statements. The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited financial statements and in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the rules and regulations of the

Securities and Exchange Commission ("SEC") for interim financial statements. In the opinion of management, such unaudited information includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of this interim information. All intercompany transactions have been eliminated in consolidation. Operating results and cash flows for interim periods are not necessarily indicative of results that can be expected for the entire year. The information included in this report should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K/A for the year ended December 31, 2012.

The condensed consolidated financial statements as of and for the three and nine months ended September 30, 2013 and 2012, have been restated (see Note 8).

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings or financial position.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred net losses since inception and have not fully commenced operations, raising substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to generate revenue, achieve profitable operations and repay our obligations when they come due. We have entered into an agreement whereby we may sell up to $10,000,000 of our common stock to Lincoln Park Capital Fund LLC, subject to certain limitations, over a 36-month period. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty. As of the filing date of this Quarterly Report on Form 10-Q/A, management believes that it has adequate funding to ensure completion of the initial phases of our business plan: to license its thermal technologies and applications, including submersible dry-pit applications; to license and sell mobile generation retrofit kits (our Ultimate Power Truck business) driven by our proprietary gearing system; and to license a plug-in hybrid conversion system for heavy duty trucks, tractor trailers and buses. There can be no assurance, however, that we will be successful in accomplishing these objectives.

Recently Issued Accounting Pronouncements

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

We have evaluated the other recent accounting pronouncements through ASU 2015-02 and believe that none of them will have a material effect on our financial statements.

Note 2 – Debt

As of December 31, 2011, we had interest-free debt of $911,894 with Phoenix Productions and Entertainment Group (“PPEG”).

In March 2012, we borrowed $250,000 under a 3% note with Action Media Group, LLC (“Action Media”).

In April, May, June and July of 2012, we borrowed a total of $186,222 from Spirit Bear Limited (“Spirit Bear”), payable within 180 days from each date of funding. We also granted 665,374 common stock warrants to Spirit Bear with an exercise price of $0.35 per share. We estimated the value of the warrants using the Black-Scholes option pricing model with the following assumptions: volatility of 250%, risk-free interest rate of 0.33%, expected life of two years and no dividend yield. We recorded the estimated value of the warrants of $622,253 as prepaid financing costs and recorded the amortization of the expense as financing costs.

In December 2012, we negotiated a debt settlement agreement with PPEG, Action Media and Spirit Bear (“Debt Settlement Agreement”). Under the terms of the debt settlement agreement, PPEG and Action Media forgave the debt of $911,894 and $250,000, respectively. We entered into an agreement with Spirit Bear pursuant to which we sold 200 shares of our Series A Convertible Preferred Stock and three separate tranches of warrants to 2,000,000 shares of our common stock, for a total of 6,000,000 warrants. The exercise prices the warrants within each tranche were $0.35, $0.50 and $0.75 per share. In consideration, we received $313,777 in cash and $186,222 for the settlement of the debt with Spirit Bear.

Note 3 – Commitments and Contingencies

In December, 2012, pursuant to the Debt Settlement Agreement, PPEG and Action Media were to return to escrow a total of 4,676,000 shares of our common stock. 3,676,000 of these shares were returned and cancelled on January 14, 2013, following our filing a registration statement with the SEC on January 11, 2013. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at $0.40 per share (or $400,000) at the rate of $10,000 per month commencing within 90 days of the Company achieving $1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the $400,000 on a pro rata basis, based on each company's respective amount of debt forgiven. The historical cost of the shares held in escrow are reflected in equity on the balance sheets as common stock held in escrow.

We are a party to various legal proceedings with Spirit Bear, which we are defending vigorously. At this time we cannot predict the outcome or estimate the cost to us, if any. Accordingly, we have not recorded any expense or liability associated with these proceedings. If these proceedings are not resolved in our favor, in future periods there may be an adverse impact to our results of operations and financial position.

Note 4 – Equity

Common Stock

In April 2012, we amended our articles of incorporation to increase our authorized shares of common stock to 100,000,000.

In April 2012, a director of the Company returned 5,000,000 shares that had been issued to him by a shareholder as compensation, resulting in a reversal of expense of $2,650,000.

Note 5 – Equity-based compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Total expense charged against income	$ --	$ 217,612	$ 723,049	$ 1,992,610
Impact on net loss per common share:				
Basic and diluted	$ --	$ (0.00)	$ (0.02)	$ (0.04)

Common stock

We may issue our common stock to non-employees in exchange for services, financing costs and interest.

Common stock warrants - Overview

We routinely issue warrants for our common stock to non-employees in exchange for services, as part of the sale of our common stock, or to settle long-term debt, including penalties and interest. Historically, we have issued warrants that are fully-vested at the date of grant.

Common stock warrants -- Fully-vested

The following summarizes the activity for warrants that were fully-vested upon issuance:

	Number of Warrants	Weighted-average Exercise Price	Weighted-average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2012	8,395,004	$ 0.47	2.4	$ 238,044
Granted	4,685,019	0.69		23,333
Exercised	(100,000)	0.28		
Outstanding, September 30, 2013	12,980,023	0.50	2.4	249,877
Exercisable, September 30, 2013	12,980,023	0.50	2.4	249,877

The fair value of each warrant is estimated on the date of grant using the Black-Scholes option pricing model ("Black-Scholes"). We use historical data to estimate the expected price volatility, the expected life and the expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of the grant for the estimated life of the warrant. The following summarizes the Black-Scholes assumptions used for fully-vested warrant grants that were expensed:

	Nine months ended September 30,	
	2013	**2012**
Volatility	325 – 360 %	245 – 250 %
Risk-free interest rate	0.2 – 1.2 %	0.3 – 0.6 %
Expected life (years)	2.5 – 5.0	2.0
Dividend yield	--	--

Non-employee stock options – Fully-vested

In 2011, we granted 200,000 stock options to one of our attorneys for services provided. These options were exercised in February 2013 on a cashless basis, and 90,000 shares of common stock were issued.

Employee stock options – Market-based

We granted certain options that vest upon the achievement of certain stock prices for 20 days, as follows:

Market Price	**Number of Options**
$2.00	1,000,000
3.00	1,000,000
4.00	1,000,000
4.50	1,000,000
5.00	1,000,000
	5,000,000

The following is a summary of market-based stock option activity:

	Number of Shares	Weighted-average Exercise Price per Share	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2012	5,000,000	$ 3.70	No expiration	$ --
Stock options granted	--			
Outstanding, September 30, 2013	5,000,000	3.70	No expiration	--
Exercisable, September 30, 2013	--			--

Note 6 – Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the reporting period. Diluted net loss per share is computed similarly to basic loss per share, except that it includes the potential dilution that could occur if dilutive securities are exercised.

The following table presents a reconciliation of the denominators used in the computation of net loss per share – basic and diluted:

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Net loss available for stockholders	$ (589,604)	$ (1,027,195)	$ (1,887,437)	$ (235,758)
Weighted average outstanding shares of common stock	46,181,529	47,646,411	45,545,420	47,864,741
Dilutive effect of stock options and warrants	--	--	--	--
Common stock and equivalents	46,181,529	47,646,411	45,545,420	47,864,741
Net loss per share – Basic and diluted	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.00)

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

Note 7 – Subsequent Events

In February 2014, we entered into an agreement with Lincoln Park Capital Fund, LLC (“Lincoln Park”), pursuant to which we have the right to sell to Lincoln Park up to $10,000,000 in shares of our common stock, subject to certain limitations, from time to time over a 36-month period commencing on the date that a registration statement is declared effective by the SEC.

In April 2014, we formed Ultimate Power Truck, LLC (“UPT”), of which we own 95% and a shareholder of HPEV owns 5%. UPT was formed to support and sell our mobile electric power system platform.

Note 8 – Restatements

Three and nine months ended September 30, 2013