

HPEV, INC.
Form 10-Q/A
March 04, 2014

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

Form 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 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

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

(Do not check if a smaller reporting company)

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

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 No

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 February 26, 2014, there were 50,372,714 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 the following items of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 as originally filed with the Securities and Exchange Commission on May 20, 2013 (the "Original Form 10-Q"): (i) Item 1 of Part I "Financial Information," (ii) Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations,". The subsequent events footnote to the financial statements has been updated to reflect events that occurred after the filing date of the Quarterly Report. This Form 10-Q/A includes Exhibits 31.1, 31.2, 32.1 and 32.2, new certifications by the company's principal executive officer and principal financial officer as required by Rule 12b-15.

We have determined that our previously reported results for the quarter ended March 31, 2013 did not properly represent certain transactions shares issued and deferred compensation and consulting fees as they were shown in accounts payable. These charges of \$37,555 were reclassified as accounts payable--related parties. We have made necessary conforming changes in "Management's Discussion and Analysis of Financial Condition and Results of Operations" resulting from other minor changes, none of which were considered material.

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

PART 1 – FINANCIAL INFORMATION

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

	As of March 31, 2013 (Restated)	As of December 31, 2012
ASSETS		
Current assets		
Cash	\$ 7,489	\$ 194,721
Prepaid expenses	76,694	373,679
Total current assets	84,183	568,400
Intangible	87,964	73,582
Total assets	\$ 172,147	\$ 641,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 156,277	\$ 177,280
Accounts payable – related party	117,227	52,305
Notes payable-related party	22,910	34,110
Total current liabilities	296,414	263,695
Total liabilities	296,414	263,695
Stockholders' equity (deficit)		
Preferred stock: \$.001 par value; 15,000,000 shares authorized, 200 shares issued and outstanding as of March 31, 2013	-	-
Common stock; \$.001 par value; 100,000,000 shares authorized, 43,085,441 and 42,970,441 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	43,085	42,970
Additional paid-in capital	6,153,833	6,116,420
Common stock held in escrow	8,441	39,469
Accumulated deficit during development stage	(6,329,626)	(5,820,572)
Total stockholders' equity (deficit)	(124,267)	378,287
Total liabilities and stockholders' equity (deficit)	\$ 172,147	\$ 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)

	Three Months Ended March 31, 2013 (Restated)	Three Months Ended March 31, 2012 (Restated)	From inception (March 24, 2011) through March 31, 2013 (Restated)
Revenue	\$ -	-	\$ -
Cost of goods sold	-	-	-
Gross profit	-	-	-
Operating expenses			
Consulting	427,003	372,304	3,933,975
Director stock Compensation	-	(2,650,000)	-
Professional fees	47,516	30,796	1,033,134
Research and development	2,000	343,233	359,072
General and administrative	52,010	20,930	203,874
Loss on deposit	-	-	100,000
Loss on intangible property	-	-	75,000
Total operating expenses	528,529	(1,882,737)	5,705,055
Other income and expenses			
Interest expense	-	(781)	(277,545)
Finance cost	-	-	(622,522)
Gain on settlement of debt	19,475	-	275,496
Net income (loss)	\$ (509,054)	\$ 1,881,956	\$ (6,329,626)
Basic loss per common share	\$ (0.01)	\$ 0.04	
Fully diluted income (loss) per common share	\$ (0.01)	\$ 0.04	
Basic weighted average			
common shares outstanding	43,029,189	47,610,891	
Fully diluted weighted average common shares outstanding	49,624,493	47,381,869	

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

HPEV, Inc.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31, 2013 (Restated)	Three months ended March 31, 2012 (Restated)	From March 24, 2011 (Date of Inception) Through March 31, 2013 (Restated)
Operating Activities:			
Net income (loss)	\$ (509,054)	\$ 1,881,956	\$ (6,329,626)
Adjustments to reconcile net loss to			
Net cash used by operating activities:			
Stock issued to founder	-	-	22,000
Stock issued for consulting services	296,985	-	3,525,697
Gain on settlement of debt	(19,475)	-	(275,496)
Warrants issued for loan penalty	-	-	197,413
Warrants issued for interest	-	-	390,426
Stock compensation	-	304,676	-
Director stock compensation from shareholder	-	(2,650,000)	-
Amortization of financing cost	-	-	622,522
Impairment of intangible asset and deposit	-	-	175,000
Changes in operating assets and liabilities:			
Increase in prepaid expense	-	(250)	-
Increase in accrued interest	-	-	6,021
Increase in accounts payable related party	64,922	-	117,227
Increase in accounts payable	4,972	221,135	240,615
Net cash used by operating activities	(161,650)	(242,483)	(1,308,201)
Investing Activities:			
Increase of intangible assets	(14,382)	(12,841)	(87,964)
Cash acquired through reverse merger	-	-	37
Net cash used by investing activities	(14,382)	(12,841)	(87,927)
Financing Activities:			
Proceeds from sale of common stock	-	-	55,000
Proceeds from sale of preferred stock	-	-	500,000
Proceeds from loans payable	-	250,000	-
Proceeds from notes payable	-	-	439,722
Payments on notes payable	-	-	(189,722)
Proceeds from notes payable – related party	900	50,000	611,507
Payments on notes payable - related party	(12,100)	(200)	(13,300)
Bank overdraft	-	-	410
Net cash (used) provided by financing activities	(11,200)	299,800	1,403,617
Net decrease/increase in cash	(187,232)	44,476	7,489

Cash, beginning of period	194,721	78,361	-
Cash, end of period	\$ 7,489	\$ 122,837	\$ 7,489
Supplemental Information			
Interest paid with cash	\$ -	\$ -	\$ 1,327
Supplemental schedule of non –cash activities			
Shares issued to settle accounts payable	\$ (25,974)	\$ -	\$ (25,974)
Shares held in escrow	\$ (31,028)	\$ -	\$ (31,028)
Accrued interest forgiven	\$ -	\$ -	\$ 6,021
Related party accrued salary forgiven	\$ -	\$ -	\$ 70,000
Related party notes payable forgiven	\$ -	\$ -	\$ 911,894
Shares issued for services	\$ -	\$ -	\$ 1,358,016
Common stock receivable	\$ -	\$ (8,000,000)	\$ -
Warrants granted as finance cost	\$ -	\$ -	\$ (583,173)
Warrants granted to secure financing	\$ -	\$ -	\$ (120,225)
Assumed as part of reverse merger			
Intangible assets	\$ -	\$ -	\$ 75,000
Deposit	\$ -	\$ -	\$ 100,000
Prepaid asset	\$ -	\$ -	\$ 375,002
Accounts payable	\$ -	\$ -	\$ (11,637)
Notes payable – related party	\$ -	\$ -	\$ (336,187)
Shares issued for prepaid services	\$ -	\$ 1,090,000	\$ 1,090,000

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

HPEV, INC.
(a Nevada corporation)
Notes to the Condensed Consolidated Financial Statements
March 31, 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 condensed consolidated 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 consolidated 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 month ended March 31, 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.

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

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

On March 24, 2011, Z3 Enterprises entered into a Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV Inc. (“HPEV”) in consideration for the issuance of 22,000,000 shares of Z3E common stock. Upon closing of the Share Exchange on April 15, 2011, HPEV became a wholly owned subsidiary of Z3E.

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

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

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

respectively.

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(Unaudited)

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

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

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

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

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

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

On May 5, 2011, a total of 7 patents (1 granted, 6 pending) were assigned to HPEV by Thermal Motors Innovations, LLC, a company controlled by the developers of the patents. Since then, additional patents have been awarded and filed. Therefore, as of May 15, 2013, our subsidiary, HPEV, owns the rights to five patents, and five patent-applications pending with two remaining to be assigned. See Note 9 – Intellectual Property.

The patents and patents-pending owned by HPEV cover composite heat pipes and their applications as well as an electric load assist. The utilization of composite heat pipes should increase the horsepower of electric motors and enhance the lifespan and effectiveness of heat-producing vehicle components. The parallel vehicle platform enables vehicles to alternate between two sources of power.

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

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

HPEV, INC.
(a Nevada corporation)
Notes to the Condensed Consolidated Financial Statements
March 31, 2013
(Unaudited)

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

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

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

On December 9, 2011, Z3E and PPEG mutually agreed to dissolve their Joint Venture Agreement. The reason was due to a change in business direction by Z3 E as a result of its acquisition of HPEV, Inc. The Joint Venture Agreement did not provide for any termination penalties.

NOTE 2 – GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of approximately \$6, 329,626 during the period from March 24, 2011 (Date of Inception) through March 31, 2013 and has not fully commenced its operations. The Company is still in the development stages, raising substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/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 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.

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.

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.

HPEV, INC.

(a Nevada corporation)

Notes to the Condensed Consolidated Financial Statements

March 31, 2013

(Unaudited)

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 consolidated 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 consolidated financial statements should be read in conjunction with the audited consolidated 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 March 31, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

Cash and Cash Equivalents

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 \$7,489 and \$194,721 in cash and no cash equivalents as of March 31, 2013 and December 31, 2012, respectively.

Revenue Recognition

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

Earnings per Share

The Company computes net loss per share in accordance with the Earning per Share Topic of the FASB ASC 260. Under the provisions of ASC, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. As of March 31, 2013, 200 preferred shares (which can be converted into common shares at a ratio of 1 to 50,000) and 8,395,004 warrants were outstanding.

HPEV, INC.
(a Nevada corporation)
Notes to the Condensed Consolidated Financial Statements
March 31, 2013
(Unaudited)

Fair Value of Financial Instruments

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

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

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

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

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

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

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Income Taxes

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

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

Employee Stock Based Compensation

ASC 718-10 provides investors and other users of financial statements with more complete and neutral financial information, by requiring that the compensation cost relating to share-based payment transactions be recognized in 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 March 31, 2013, the Company has not implemented an employee stock based compensation plan.

Non-Employee Stock Based Compensation

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

HPEV, INC.
(a Nevada corporation)
Notes to the Condensed Consolidated Financial Statements
March 31, 2013
(Unaudited)

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.

Recent accounting standards

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

NOTE 4 – INCOME (LOSS) PER SHARE

Components of net income (loss) per share for the three months ended March 31, 2013 and 2012 are as follows:

	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012
Net income (loss) attributable to common stockholders	\$ (509,054)	\$ 1,881,956
Basic weighted average common shares outstanding	43,029,189	47,610,891
Fully diluted weighted common average shares outstanding	49,624,493	47,610,891
Basic and diluted income (loss) per share	\$ (0.01)	\$ 0.04

NOTE 5 – CAPITAL STOCK

Preferred Stock

The Company has 15,000,000 preferred shares authorized and 200 Series A Convertible Preferred Stock, issued and outstanding as of March 31, 2013.

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

HPEV, INC.
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Notes to the Condensed Consolidated Financial Statements
March 31, 2013
(Unaudited)

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 cancellation of \$186,222.38 in outstanding indebtedness held by Spirit Bear .

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

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

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

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

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

Pursuant to the Securities Purchase Agreement, which was subsequently amended in an April 12, 2013 Agreement, the Company may sell Spirit Bear up to 200 additional shares of Preferred Stock and warrants to purchase up to 6,000,000 shares of the Company's common stock. The Company shall have the option to require Spirit Bear to

purchase up to these additional Two Hundred (200) Preferred Shares and associated Warrants at a Subsequent Closing in the event that written certification (“Certification Notice”) shall have been received by the Company from a federally licensed testing facility reasonably acceptable to Spirit Bear , evidencing that four (4) motors 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 four (4) motors incorporating the Company’s technology have passed tests with respect to (i) IEEE 112 in Methods E, E1, F or F1 with a maximum horsepower of 4,000 for F or F1, (ii) sound pressure testing to IEEE 85 and NEMA MG1 20 standards, (iii) bearing temperature testing, (iv) speed versus torque/current testing, (v) polarization index testing per IEEE 45 standards, and (vi) IEEE 112 Method B for full efficiency; and that testing evidences an improvement in power density of at least Twelve Percent (12.00%) compared to the same motor not incorporating HPEV technology. In the event the Company shall not have received the Certification Notice within one hundred eighty (180) calendar days after the date of the initial Closing Date, Spirit Bear shall 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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In connection with the sale of the Preferred Stock and Warrants, the Company and Spirit Bear entered into a Patent and Securities Agreement. Pursuant to the Patent and Security Agreement, the Company may, under certain circumstances, grant to the Spirit Bear a security interest in certain patents set forth in the Patent and Security Agreement.

Pursuant to the Securities Purchase Agreement (the "SPA") with Spirit Bear Limited ("Spirit Bear"), the agreement stipulated several covenants which were to occur prior to closing. The Company's Board of Directors, irrespective of the number of members, for three years after closing has to be composed of an even number of members of which at least 50% shall be designated by Spirit Bear. Additionally, the Bylaws were to be amended as agreed upon in the SPA. As of December 31, 2012 these items stated above had not yet been delivered in part because Spirit Bear had designated two of their three allotted nominees as of such date.

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 verbatim with what was required in the agreement effective February 20, 2013. 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 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.

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 were to expire one year after Mr. Bibb has been terminated without cause. The options could 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.

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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.

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 March 31, 2012, as such the Company recognized a gain due to the return of shares of \$2,650,000.

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

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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. 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, 4,676,000 were removed from outstanding and classified as held in escrow in the amount of \$39,469 based on the historical value of shares.

Pursuant to the Debt Settlement Agreement signed with Phoenix Productions and Entertainment Group, Action Media Group and Spirit Bear Limited signed on December 11, 2012, 3,676,000 shares of common stock that were being held in escrow were cancelled 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.

Pursuant to a debt settlement with the Crone Law Group, on February 13, 2013, the Board of Directors approved the issuance of 25,000 shares of restricted common stock to Mark Crone, the owner of the law group, to satisfy an outstanding balance of \$25,975.

On February 13, 2013, the Board of Directors authorized the cashless exercise of 200,000 option held by Crone Law Group. The cashless exercise resulted in the issuance of 90,000 shares of Common stock. (For additional details see NOTE 6 – WARRANTS AND OPTIONS.)

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.

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

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

On December 14, 2012, the penalty warrants for all four loans owed to Spirit Bear 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 price 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.

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

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	8,395,304	\$ 0.48	3.71
Granted	-	\$ -	-
Exercised	-	\$ -	-
Cancelled	-	\$ -	-
Outstanding at March 31, 2013	8,395,304	\$ 0.48	3.03
Exercisable at March 31, 2013	0	\$ -	-

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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.

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

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

Exercisable at March 31, 2013

-

\$

-

-

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 was perpetual or upon mutual agreement of both parties or if conditions were breached or in 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 8).

During the period from inception (March 24, 2011) to March 31, 2013, Judson Bibb, Director, advanced \$22,910 in interest free, unsecured, due on demand funds. As of March 31, 2013, \$22,910 remains due and payable.

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

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

Entities under the control of certain officers and directors hold consulting agreements with the Company. In the quarter ended March 31, 2013, \$124,500 in consulting fees were incurred as a result of these agreements and payments of \$54,000 were made to these entities. The officers are considered independent contractors under these agreements and therefore no payroll taxes were incurred by the Company for the quarter ending March 31, 2013.

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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 11, 2012, the Company borrowed an aggregate of \$911,894 under the PPEG Loan Agreement which was used for the Company’s operations, potential acquisitions, acquisition of intellectual property rights and HPEV, Inc.

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

In April, May, June and July of 2012, Spirit Bear Limited made cash advances for and funded loans to the Company in the total amount of \$186,222, creating direct financial obligations of the Company. On August 8, 2012, the Company and Spirit Bear reached a definitive agreement concerning the terms of the loans, including the Company’s obligations to repay Spirit Bear within 180 days from each date of funding, and the Company’s obligation to issue warrants to Spirit Bear to purchase 3.5714 shares of common stock per dollar of consideration provided by Spirit Bear, subject to certain adjustments, at the per share price of \$.35, as partial consideration for the loans. The warrants granted to Spirit Bear totaled 665,374 shares. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.33%; dividend yield of 0% and expected volatility of 250%. These options were valued at \$622, 522 and the aggregate value was capitalized as financing cost and has been accreted and charged to financing cost expense in the amount of \$622, 522 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 11, 2012, the Company concluded negotiations on a debt settlement agreement by and among the Company, PPEG, Action Media (PPEG and Action Media collectively, the “Debt Holders”) and Spirit Bear. To help induce Spirit Bear to invest in the Company, the Debt Holders agreed to forgive debt of \$1,161,894 and accrued interest owed to them by the Company (the “Debt”) and release the Company of (i) any future liability or claim related to the Debt, (ii) any future liability or claim related to shares of any class of equity in the Company, and (iii) any

obligation or liability of the Company.

Pursuant to the Debt Settlement Agreement, \$911,894 outstanding under the PPEG Loan Agreement was forgiven. Action Media agreed to forgive all outstanding debt and accrued interest under the loan. The Debt Holders also agreed to deposit 4,676,000 shares of common stock in escrow. Upon the filing of a registration statement with the SEC, 3,676,000 shares were to be canceled and returned to treasury. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share at the rate of \$10,000 per month commencing within 90 days after 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 March 31, 2013, HPEV Inc.'s wholly owned subsidiary was assigned the rights to five patents and five patents-pending with two remaining to be assigned. The issued patents and the majority of the patents-pending relate to the utilization of heat pipes to remove heat from various types of electric motors, generators and a brake resistor. By removing heat in a more efficient manner, the heat pipes provide lower costs, improved performance benefits and longer product life. Another patent-pending is an electric load assist that makes it possible for plug-in hybrid electric vehicles to utilize power in any combination from the gas or diesel engine and an electric motor installed on-board.

The direct cost (since inception) for legal services related to the patents was \$87,964. 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. During the three months ended March 31, 2013 \$168,351 was accreted and recorded as consulting expense. As of March 31, 2013, the prepaid balance remaining was \$76,694.

On March 23, 2012, 1,000,000 shares of restricted common stock valued at \$1.07 per were to Lagoon Labs, LLC in exchange for consultations with management as well as providing investor communications and public relations, with an emphasis on digital and social media. During the three months ended March 31, 2013 \$128,634 was accreted and recorded as consulting expense. As of March 31, 2013, the prepaid balance remaining was \$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's intended to have canceled. 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 canceled 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) \$13,500 per month for Timothy Hassett, the Chairman and Chief Executive Officer, (ii) \$10,000 per month for Quentin Ponder, the Chief Financial Officer and Treasurer, (iii) \$12,500 per month for Theodore Banzhaf, the President, (iv) \$14,500 per month for a still undesignated Chief Technical Officer and (v) \$8,000 per month for Judson Bibb, the Vice-President and Secretary. The compensation 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 herein below. (For additional details please see NOTE 13 - SUBSEQUENT EVENTS.)

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

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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 price 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 cancellation of \$186,222.38 in outstanding indebtedness held by Spirit Bear

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

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

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

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

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

In the event a Registration Statement has not been declared effective by the United States Securities Exchange Commission within 180 calendar days from and after the Closing Date, the holders of at least two-thirds (2/3) of the then outstanding shares of Series A Convertible Preferred Stock may deliver a written notice to the Company electing

the conversion of all Series A Convertible Preferred Stock to Debentures. Upon receipt of such notice, the outstanding shares of Series A Convertible Preferred Stock shall be converted to Debentures and as a result the Company would issue Debentures having a principal amount of up to \$1,000,000.

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

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

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

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

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Pursuant to the Securities Purchase Agreement which was subsequently amended in an April 12, 2013 Agreement, the Company may sell Spirit Bear up to 200 additional shares of Preferred Stock and warrants to purchase up to 6,000,000 shares of the Company's common stock. The Company shall have the option to require Spirit Bear to purchase up to these additional Two Hundred (200) Preferred Shares and associated Warrants at a Subsequent Closing in the event that written certification ("Certification Notice") shall have been received by the Company from a federally licensed testing facility reasonably acceptable to Spirit Bear, evidencing that four (4) motors 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 four (4) motors incorporating the Company's technology have passed tests with respect to (i) IEEE 112 in Methods E, E1, F or F1 with a maximum horsepower of 4,000 for F or F1, (ii) sound pressure testing to IEEE 85 and NEMA MG1 20 standards, (iii) bearing temperature testing, (iv) speed versus torque/current testing, (v) polarization index testing per IEEE 45 standards, and (vi) IEEE 112 Method B for full efficiency; and that testing evidences an improvement in power density of at least Twelve Percent (12.00%) compared to the same motor not incorporating HPEV technology. In the event the Company shall not have received the Certification Notice within one hundred eighty (180) calendar days after the date of the initial Closing Date, Spirit Bear shall have a twelve (12) month option, exercisable during such period at its sole discretion by delivery of written notice to the Company, to purchase the additional Two Hundred (200) Preferred Shares and associated Warrants in a Subsequent Closing to be held within seven (7) days of such notice.

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

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

On February 20, 2013, the Board of Directors 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 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.

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.

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Note 12 – RESTATEMENT

We have determined that our previously reported results for the quarter ended March 31, 2013 did not properly represent certain transactions, shares issued and deferred compensation and consulting fees as they were shown in accounts payable. These charges of \$ 37,555 were reclassified as short term loans--related parties. We have made necessary conforming changes in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” resulting from other minor changes.

The following tables reflect the impact of these corrections on our condensed consolidated financial statements

Balance Sheet

	As of March . 31, 2013 Originally Stated	Restatement Adjustments	As of March . 31, 2013 Restated
ASSETS			
Current Assets			
Cash	13,469	(5,980)	7,489
Prepaid Expense	68,999	7,695	76,694
Total Current Assets	82,468	1,715	84,183
Intangible Assets	87,964		87,964
Total Assets	170,432	1,715	172,147
LIABILITIES AND STOCKHOLDERS’ EQUITY			
Current Liabilities			
Accounts Payable	203,062	(46,785)	156,277
Accounts Payable – Related Party	29,250	87,977	117,227
Notes Payable – Related Party	22,910	-	22,910
Total Current Liabilities	255,222	41,192	296,414
Total Liabilities	255,222	41,192	296,414
Stockholders' equity			
Common stock; \$.001 par value; 100,000,000 shares authorized, 43,085,441 shares issued and outstanding as of March 31, 2013	44,085	(1,000)	43,085
Preferred stock: \$.001 par value: 15,000,000 shares authorized, 200 shares issued and			

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outstanding as of March 31, 2013		-	
Additional paid-in capital	6,246,171	(92,338)	6,153,833
Common stock held in escrow	8,441	-	8,441
Common stock receivable			
Accumulated deficit during development stage	(6,382,371)	52,745	(6,329,626)
Total stockholders' equity (deficit)	(83,674)	(40,593)	(124,267)
Total liabilities and stockholders' equity	\$ 171,548	599	\$ 172,147

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Statement of Operations

	Three Months Ended March. 31, 2013	Restatement Adjustments	Three Months Ended March. 31, 2013	Restated	From inception (March 24, 2011) through March. 31, 2013	Restatement Adjustments	From inception (March 24, 2011) through March. 31, 2013	Restated
Operating expenses								
Director stock compensation	-		-		-		-	
Consulting	389,448	37,555	427,003		3,896,420	37,555	3,933,975	
Professional fees	42,394	5,122	47,516		1,028,012	5,122	1,033,134	
Research and development	2,000	-	2,000		359,072	-	359,072	
General and administrative	51,239	771	52,010		203,103	771	203,874	
Loss on deposit	-	-	-		100,000	-	100,000	
Loss on intangible property	-	-	-		75,000	-	75,000	
Total operating expenses	485,081	43,448	528,529		5,661,607	43,448	5,705,055	
Other income & expenses								
Interest Expense	-	-	-		(277,545)	-	(277,545)	
Finance cost	-	-	-		(622,522)	-	(622,522)	
Gain on settlement of debt	-	19,475	19,475		256,021	19,475	275,496	
Net Income (loss)	(485,081)	973)	(509,054)		653)	(23,973)	(6,329,626)	

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Cash Flow
Statement

	Three Months Ended March. 31, 2013 Originally Stated	Restatement Adjustments	Three Months Ended March. 31, 2013 Restated	From inception (March 24, 2011) Ended March. 31, 2013 Originally Stated	Restatement Adjustments	From inception (March 24, 2011) through March. 31, 2013 Restated
Cash flows from operating activities:						
Net loss	\$ (485,081)	\$ (23,973)	\$ (509,054)	\$ (6,305,653)	\$ (23,973)	\$ (6,329,626)
Adjustments to reconcile net loss to Operating Activities						
Stock issued to founder	-	-	-	22,000	-	22,000
Stock options issued for penalty	-	-	-	-	-	-
Stock issued for consulting services	-	296,985	296,985	3,228,712	296,985	3,525,697
Gain on settlement of debt	-	(19,475)	(19,475)	(256,021)	(19,475)	(275,496)
Warrants issued for loan penalty	-	-	-	197,413	-	197,413
Warrants issued for interest	-	-	-	317,678	72,748	390,426
Stock compensation	-	-	-	-	-	-
Amortization of financing cost	-	-	-	622,522	-	622,522
Director stock compensation from shareholder	-	-	-	-	-	-

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Impairment of intangible asset & deposit	-	-	-	175,000	-	175,000
Changes in operating assets and liabilities						
Prepaid expenses	304,680	(304,680)	-	302,680	(302,680)	-
Increase in accrued interest	-	-	-	6,021	-	6,021
Increase in accounts payable related party	-	64,922	64,922	52,305	64,922	117,227
Increase in accounts payable	-	4,972	4,972	234,201	6,414	240,615
Net cash used by operating activities	(181,843)	20,193	(161,650)	(1,401,142)	92,941	(1,308,201)
Investing Activities:						
Increase of intangible assets	(14,383)	1	(14,382)	(87,965)	1	(87,964)
Cash acquired through reverse merger	-	-	-	37	-	37
Net cash used by investing activities	(14,383)	1	(14,382)	(87,928)	1	(87,927)
Financing Activities:						
Proceeds from sale of common stock	57,003	(57,003)	-	107,003	(52,003)	55,000
Proceeds from sale of preferred stock	-	-	-	500,000	-	500,000
Capital stock - shares returned to treasury	31,028	(31,028)	-	31,028	(31,028)	-
Proceeds from loans payable	-	-	-	-	-	-
Proceeds from notes payable	-	-	-	439,722	-	439,722
Payment on notes payable	-	-	-	(189,722)	-	(189,722)
	-	900	900	-	611,507	611,507

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Proceeds from notes payable – related party						
Payments on notes payable - related party	(11,200)	(900)	(12,100)	(12,400)	(900)	(13,300)
Bank overdraft	-	-	-	410	-	410
		-				
Net cash provided by financing activities	76,831	(88,031)	(11,200)	876,041	527,576	1,403,617
		-				
Net decrease/increase in cash	39,529	(226,761)	(187,232)	39,529	(32,040)	7,489
		-				
Cash, beginning of period	194,721	-	194,721	-	-	-
		-				
Cash, end of period	13,469	(5,980)	7,489	13,469	(5,980)	7,489
		-				
Supplemental Information		-				
Interest paid with cash	\$ -	-	-	1,327	-	1,327
Supplemental schedule of non –cash Activities		-				
Shares issued to settle accounts payable	\$ -	\$ (25,974)	\$ (25,974)	\$ -	\$ (25,974)	\$ (25,974)
Shares held in escrow	\$ -	\$ (31,028)	\$ (31,028)	\$ -	\$ (31,028)	\$ (31,028)
Accrued interest forgiven	\$ -	\$ -	\$ -	\$ 6,021	\$ -	\$ 6,021
Related party accrued salary forgiven	\$ -	\$ -	\$ -	\$ 70,000	\$ -	\$ 70,000
Related party notes payable forgiven	\$ -	\$ -	\$ -	\$ 911,894	\$ -	\$ 911,894
Shares issued for services	\$ -	\$ -	\$ -	\$ 1,358,016	\$ -	\$ 1,358,016
Warrants granted as finance cost	\$ -	\$ -	\$ -	\$ -	\$ (583,173)	\$ (583,173)
Warrants granted to	\$ -	\$ -	\$ -	\$ -	\$ (120,225)	\$ (120,225)

secure
financing

Assumed as
part of reverse
merger

Intangible

assets	\$ -	\$ -	\$ -	\$ 175,000	\$ (100,000)	\$ 75,000
Deposit	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
Prepaid asset	\$ -	\$ -	\$ -	\$ 375,002	\$ -	\$ 375,002
Accounts payable	\$ -	\$ -	\$ -	\$ (11,637)	\$ -	\$ (11,637)
Notes payable – related party	\$ -	\$ -	\$ -	\$ (336,187)	\$ -	\$ (336,187)
Stock issued for prepaid services	\$ -	\$ -	\$ -	\$ 336,187	\$ 753,813	\$ 1,090,000

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NOTE 13 – SUBSEQUENT EVENTS

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 Claim claimed, among others, that such actions triggered the anti-dilution protection provided to Spirit Bear in the Securities Purchase Agreement. 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. Previously, each share of preferred stock was convertible into 20,000 shares of common stock and had the voting rights equal to 20,000 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 are comprehensively tested at Mohler Technology, Inc., or a similar federally licensed testing facility acceptable to the Company 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 May 6, 2013, the Company issued a warrant for 450,000 shares of common stock to a consultant for corporate development advisory services with an exercise price of \$0.48. The vesting period on these grants was immediate. The value of these warrants were estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.165%; dividend yield of 0% and expected volatility of 327%. To account for such grants to non-employees, we recorded the issuance as consulting expense in the amount of \$245,376.

On May 17, 2013, an accredited investor purchased 750,000 shares of common stock and warrants in a private offering at a purchase price of \$0.333 per share in consideration for \$250,000. The warrants enable the investor to purchase, up to November 16, 2015, an aggregate of 750,000 shares of common stock at an exercise price of \$0.48. 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 agreement also includes a reset provision that provides that if on the 90th day after the closing date, the stock is not trading at \$0.77 per share, the Company will issue to the investor up to either 336,956 shares of common stock or the amount of common shares that the investor would have received had he invested \$577,500 on May 17, 2013, whichever is the lower.

On June 10, 2013, the Company issued 225,000 shares of restricted common stock valued at \$0.44 per share and warrants to purchase 225,500 shares of common stock at a purchase price of \$0.66 per share to an accredited investor in exchange for \$100,000 in funding. The warrants expire March 8, 2016.

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.

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.

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

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

On July 9, 2013, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to January 15, 2016, an aggregate of 111,111 shares of common stock at an exercise price of \$0.69. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

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

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

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

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

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

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

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

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

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

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

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

On July 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 25, 2013, an accredited investor purchased 388,889 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$175,000. The warrants enable the investor to purchase, up

to January 25, 2016, an aggregate of 388,889 shares of common stock at an exercise price of \$0.54. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

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

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

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

On August 14, 2013, an accredited investor was awarded an additional 336,956 shares of restricted common stock. On May 16, 2013, the Company 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.

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 May 16, 2013, the market price per share of the Common Stock is not trading at \$0.77 or higher, the Company will issue to the investor up to either 336,956 shares of common stock or the amount of common shares that the investor would have received had he invested \$577,500 on May 16, 2013, whichever is the 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 an additional 336,956 shares of restricted common stock on August 14, 2013. The reset shares combined with the original shares received changed the overall value of the stock purchased to \$0.23 per share.

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

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

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

On August 27, 2013 the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, Carrie Dwyer and Donica Holt (Case 2:13-cv-01548) (the "Lawsuit") seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and the defendants are bound by the 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.

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

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

On September 18, 2013, the Securities and Exchange Commission served HPEV, Inc. with a subpoena entitled In the Matter of HPEV, Inc. The subpoena requested documents relating to several matters, including Spirit Bear Limited, Robert Olins and all of their respective affiliates. HPEV must produce the documents by October 3, 2013. At this time, it is unclear what conclusions the SEC will reach upon the conclusion of its investigation.

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.

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Therefore, on October 5, 2013, Spirit Bear Limited was awarded a warrant for 500,000 shares of common stock.

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 which would then ratify that Spirit Bear has waived any claims it may have against the Company.

On October 10, 2013, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to April 16, 2016, an aggregate of 333,333 shares of common stock at an exercise price of \$0.52. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement.

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

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

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

On December 17, 2013, an accredited investor purchased 100,000 shares of common stock and warrants in a private offering at a purchase price of \$0.30 per share in consideration for \$30,000. The warrants enable the investor to purchase, up to June 18, 2016, an aggregate of 100,000 shares of common stock at an exercise price of \$0.56. The warrants may be exercised on a cashless basis. The Company agreed that all sales made subsequent to achievement of the \$1,000,000 threshold and before the filing of the Form S-1 would be included in the registration statement. The

issuance was conducted in reliance upon an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

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

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

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

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

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

On January 13, 2014, the stockholders of HPEV, Inc. (the "Company") voted to amend the Bylaws of the Company by deleting plurality voting of the directors and instead provide that at the annual meeting of shareholders the directors be elected by a majority of the outstanding shares entitled to vote.

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

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

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

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

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

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

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

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

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

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

Proposal 3 : To ratify the executive compensation:

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

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Proposal 4 : The frequency of stockholder votes on compensation:

1 Year	2 Years	3 Years	Abstained
45,288,000	1,500,000	1,000	192,300

On January 31, 2014, an accredited investor purchased 222,222 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$100,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 222,222 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On January 31, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 1, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

On February 14, 2014, an accredited investor purchased 111,111 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$50,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 111,111 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

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

On February 5, 2014, an accredited investor purchased 88,889 shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$40,000. The warrants enable the investor to

purchase, up to February 14, 2019, an aggregate of 88,889 shares of common stock at an exercise price of \$0.60. The warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

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

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

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

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

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

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

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

On February 10, 2014, an accredited investor purchased 55,555. shares of common stock and warrants in a private offering at a purchase price of \$0.45 per share in consideration for \$25,000. The warrants enable the investor to purchase, up to February 14, 2019, an aggregate of 55,556 shares of common stock at an exercise price of \$0.60. The

warrants may be exercised on a cashless basis. The Company agreed that within 45 days of the consummation of the offer and sale of \$1,000,000 of shares and warrants, it will file a registration statement with the Securities and Exchange Commission covering the securities.

The net proceeds of the Private Placement are expected to be used by the Company for general corporate purposes.

HPEV, INC.
(a Nevada corporation)
Notes to the Condensed Consolidated Financial Statements
March 31, 2013
(Unaudited)

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

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

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

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

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

As consideration for its commitment to purchase shares of Common Stock pursuant to the Purchase Agreement, the Company agreed to issue to Lincoln Park 671,785 shares of Common Stock upon execution of the Purchase Agreement.

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

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

For all investments received in the 1 st , 2nd , 3rd and 4 th quarters of 2013 as well as in the first seven weeks of 2014 , the cash received from the investors was for the value of both the common stocks and warrants. The common stock value was known per the subscription agreements. As that was equal to the total cash received from the investor; no additional value for the warrants was recorded.

* * * * *

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/A, 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, 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' and 'ELA'.

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

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

Motors/Generators,
Mobile Auxiliary Power
Compressors,
Turbines (Wind, Micro),
Bearings,
Electric Vehicles: rail, off-highway, mining, delivery, refuse,
Brakes/rotors/calipers,
Pumps/fans,
Passenger vehicles: auto, bus, train, aircraft,
Commercial vehicles: SUV, light truck, tram,
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.

Plan of Operations

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.

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 200 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 (Auxiliary Mobile Power) 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 auxiliary power 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 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 March 31, 2013 and March 31, 2012

Revenues

The Company did not generate any revenues for the three months ended March 31, 2013 or for the three months ended March 31, 2012.

Operating Expenses

Total operating expenses for the three months ended March 31, 2013 were \$528,529, consisting of consulting fees (\$427,003), professional fees (\$47,516), research and development (\$2,000), and general and administrative expenses (\$52,010) as we negotiated and signed agreements with electric motor manufacturers to commercialize our cooling technologies and continued our efforts to raise capital.

This is compared to our operating income of \$1,882,956 for the three months ended March 31, 2012 which consisted of consulting fees (\$372,304), professional fees (\$30,796), research and development (\$343,233) and general and administrative expenses (\$20,930) and reduction of directors stock compensation expense of (\$2,650,000).

The majority of the increase in operating expenses from 2012 to 2013 was due to the reduction in directors stock compensation due to the return of the shares issued to a director by a shareholder and due to decreased spending on research and development as we conserved cash and focused on technologies that have already been tested and that should produce revenues in the shortest time period. Professional fees as well as general and administrative costs increased in the first quarter of 2013 as we negotiated agreements to commercialize our technologies and sought potential investments in our company.

The sub-total of our operating expenses for all of 2012 were \$2,702,311.

Other income and expenses

Total other income and expenses for the three months ended March 31, 2013 were \$19,475, consisting of a gain on debt settlement of legal fees as compared to our other income and expenses of \$781 for the three months ended March 31, 2012.

Net loss

For the three months ended March 31, 2013, we had a net loss of \$509,054. For the three months ended March 31, 2012, we incurred a net income of \$1,881,956 which represents a decrease of approximately 127%. Our net loss for 2012 was \$3,346,357.

Our loss per share during the first quarter of 2013 was \$(0.01). During the first quarter of 2012, our net income per common share was \$0.04 and for the year it was \$0.08.

Liquidity and Capital Resources

During the three months ended March 31, 2013, because we did not generate any revenues, we had negative operating cash flows. Our cash on hand as of March 31, 2013 was \$7,489, which came from the issuance of notes payable in the year ended 2012. As a result, we have significant cash needs. We anticipate that these needs will 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 March 31, 2013 and December 31, 2012, respectively, are as follows:

	March 31, 2013 (Unaudited)	December 31, 2012	Change
Cash	\$ 7,489	\$ 194,721	\$ (187,232)
Total Current Assets	84,183	568,400	(484,217)
Total Assets	172,147	641,982	(469,835)
Total Current Liabilities	296,414	263,695	32,719
Total Liabilities	\$ 296,414	\$ 263,695	\$ 32,719

Our cash decreased by \$187,232 as of March 31, 2013 as compared to December 31, 2012 due to cash used in operations. Our total current assets, and total assets, decreased by \$ 484,217 and \$ 469,835 , respectively, during the same period, partly because of our decrease in cash, but also as a result of prepaid expenses that decreased by \$ 296,985. These prepaid expenses cover services by investor communication and public relations companies.

Our current liabilities decreased by \$ 32,719 as of March 31, 2013 as compared to December 31, 2012 primarily because of a decrease in accounts payable which was settled in shares and a decrease in notes payable - related party of \$11,200 . Our total liabilities decreased by the same \$ 32,719 for the same reasons.

In order to repay our obligations in full or in part when due, we will be required to raise significant capital from other sources. There is no assurance, however, that we will be successful in these efforts.

Sources and Uses of Cash

Operations

Our net cash used by operating activities for the three month period ended March 31, 2013 was \$ 161,650 which consisted of our net loss from operations of \$ 509,054 and an increase in accounts payable – related party of \$ 64,922 and an increase in accounts payable of \$4,972 offset by accreted prepaid stock issued for consulting services of \$296,985 and a \$(19,475) gain on settlement of debt.

Investments

Our net cash used by investing activities for the three month period ended March 31, 2013 totaled \$ (14,382) and consisted of an increase in intangible assets of \$(14,382).

Financing

Our net cash used in financing activities for the three month period ended March 31, 2013 was \$ (11,200), and consisted of the proceeds from notes payable - related party of \$ 900 offset by payments on notes payable to a related party of \$ 12,100.

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 February 20, 2014.

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 quarter.

(c) Remediation of Material Weaknesses

To remediate the material weakness in our documentation, evaluation and testing of internal controls we have to engaged a third-party firm to assist us in remedying this material weakness. This third party firm will review our transactions and provide management with guidance on how to properly report and disclose our transactions.

(d) Changes in Internal Control over Financial Reporting

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

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 Limited (“Spirit Bear”) and Jay Palmer, a former director and one of the three directors of the Company who was appointed by Spirit Bear. Such notice required the Company to provide Mr. Palmer all books and records regarding all equity or debt issued by the Company since January 1, 2013 and an accounting of all compensation disbursed to Company executive officers since such date. Spirit Bear contends that management of the Company issued equity or debt without authority, and established compensation levels for the Company’s officers and paid salaries to its officers in violation of its agreements with Spirit Bear and the Company’s public filings .

On August 27, 2013, the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, and the two other former directors and Spirit Bear Board appointees, Carrie Dwyer and Donica Holt (Case 2:13-cv-01548) (the “Lawsuit”) seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and that the defendants are bound by the Settlement Agreement, dated April 12, 2013. The defendants have indicated that they will seek indemnification from the Company as a result of the Company initiating the Lawsuit. 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 denied Spirit Bear the opportunity to respond to the Company's amended complaint, conduct discovery and investigate the Company's claims. On October 28, 2013, Spirit Bear responded to the Company's amended complaint and asserted derivative third-party claims in the Lawsuit on behalf of HPEV against Timothy Hassett, Theodore Banzhaf, Quentin Ponder, Judson Bibb and Mark Hodowanec.

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

On September 16, 2013, Jay Palmer brought an emergency petition for a writ ordering the Company to allow him to inspect the books and records of the Company. On October 1, 2013 the court granted Mr. Palmer the right to inspect the books and records regarding (a) all equity or debt issued by Company management since January 1, 2013 and (b) all compensation disbursed to the Company's executive officers since January 1, 2013, with an accounting of disbursements. On October 16, 2013, the Company received a letter from counsel to Spirit Bear identifying twenty five (25) categories of documents to be produced for Mr. Palmer’s review. Company’s counsel responded to this letter on November 8, 2013, and has yet to hear any response in connection with Mr. Palmer’s emergency petition.

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

On October 15, 2013, the Company 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 sought a declaration that the resolutions are valid, the Company’s capital raises are authorized and the settlement agreement signed with Spirit Bear on April 14, 2013 is valid and enforceable. Spirit Bear opposed

the Company's motion for partial summary judgment.

On January 22, 2014 Spirit Bear's counsel filed a motion to withdraw from representing Spirit Bear. The Company filed a motion on February 7, 2014 dismissing the lawsuit against the individuals for failure of Spirit Bear to serve notice of process on said individuals. On February 21, 2014, the magistrate granted Spirit Bear until March 24th to obtain new counsel and serve the individuals. [The Company is considering action to vacate such order.]

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

None

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

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: March 04, 2014

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