

COOL TECHNOLOGIES, INC.
Form 10-K
April 17, 2018

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

FORM 10-K

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

For the fiscal year ended **December 31, 2017**

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

For the transition period from _____ to _____

Commission File Number: **000-53443**

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

Nevada
(State or other jurisdiction of incorporation
or organization)

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

8875 Hidden River Parkway, Suite 300

Tampa, Florida 33637

(Address of principal executive office)

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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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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", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The aggregate market value of the shares of voting and non-voting common stock held by non-affiliates of the Registrant as of June 30, 2017, the last business day of the Registrant's last completed second quarter, based upon the closing price of \$0.07 per share as reported by the OTCQB Stock Market on such date was \$9,120,869. This computation is based on the number of issued and outstanding shares held by persons other than officers, directors and shareholders of 5% or more of the registrant's common stock.

As of April 10, 2018, 191,412,240 shares of common stock are issued and outstanding excluding 1,000,000 shares held in escrow.

Documents incorporated by reference: None

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PART I

Item 1. Business

As used in this Annual Report on Form 10-K (this "Report"), references to the "Company," the "registrant," "we," "our" or "us" refer to Cool Technologies, Inc. and our 95% owned subsidiary, Ultimate Power Truck, LLC ("UPT"), unless the context otherwise indicates.

Forward-Looking Statements

This Report contains predictions, estimates and other forward-looking statements that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this Annual Report. You should read this Report and the documents that we have filed as exhibits to this Report completely and with the understanding that our actual future results may be materially different from what we expect.

All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made, except as required by federal securities and any other applicable law.

Corporate History

We were incorporated on July 22, 2002 in the State of Nevada under the name Bibb Corporation. On September 3, 2010, we changed our name to Z3 Enterprises, Inc. ("Z3"), and on April 5, 2012, to HPEV, Inc. ("HPEV") and on August 19, 2015 our stockholders voted to approve a name change to Cool Technologies, Inc. Our 95% owned

subsidiary, Ultimate Power Truck, LLC ("UPT"), was formed on April 17, 2014 in the State of Florida.

On March 29, 2011, we entered into a share exchange agreement (which was amended on June 14, 2011) with HPEV, Inc., a Delaware corporation ("the Share Exchange Agreement") to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV, Inc. in consideration for the issuance of 22,000,000 shares of common stock. Upon closing of the share exchange on April 15, 2011, HPEV, Inc. became our wholly owned subsidiary. There was a change of control of our company on April 15, 2011 as a result of the issuance of 21,880,000 shares of our common stock to the original shareholders of HPEV, Inc. pursuant to the terms of the Share Exchange Agreement. An additional 120,000 shares were issued during the fourth quarter of 2011 which completed the issuance of 22,000,000 shares of common stock under the terms of the amended Share Exchange Agreement.

As of April 10, 2018, we have seven US patents, one granted Mexican patent, four pending applications (2 in Canada, 1 in Brazil, 1 US) and one US filed provisional application pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as "thermal" or "heat dispersion technology") and a parallel power vehicle platform system. We also have Patent Cooperation Treaty ("PCT") applications filed for a heat pipe cooled brake system, a parallel power input gearing system (PPIG) and radial vent thermal technology.

The Company intends to commercialize its patents by licensing its thermal technologies and applications to electric motor, pump and vehicle component manufacturers and by licensing or selling a mobile electric power system powered by the Company's proprietary gearing system to commercial vehicle and fleet owners.

On October 7, 2016, our Board of Directors and the holders of all of the issued and outstanding shares of Series B Stock of the Company representing 66 2/3% of the voting stock of the Company adopted resolutions which authorized the Company to act on a proposal to effect a reverse stock split on the issued and outstanding shares of common stock of the Company on a 15:1 basis.

We filed an amendment to our Articles of Incorporation with the Secretary of State of the State of Nevada increasing our authorized shares of common stock, from 140,000,000 shares to 350,000,000 shares, effective March 22, 2017. We currently believe that the increase in authorized share capital eliminates the need for any other type of corporate action such as a reverse stock split.

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Business Description

We have developed and are commercializing thermal dispersion technologies in various product platforms, and have developed and are commercializing a mobile power generation system designed to be retrofitted onto new and existing work trucks. In conjunction, we have applied for trademarks for one of our technologies and its acronym. The Company currently has one trademark: TEHPC which is an acronym for Totally Enclosed Heat Pipe Cooled. We believe that our proprietary technologies, including our patent portfolio and trade secrets, can help increase the efficiency and reduce 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: autos, RVs, buses, trains, aircraft,
- Commercial vehicles: SUV, light trucks, trams, bucket trucks
- Military: boats, Humvees, trucks, aircraft, and
- Marine: boats ranging in size from 30 feet to 120 feet and beyond.

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Our Technologies

Our technologies are divided into two distinct but complementary categories: heat dispersion technology and mobile power generation (MG).

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 patented thermal dispersion technology removes heat via composite heat structures and heat pipe architecture. 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. We believe that 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:

1. Increase power density of current motor platforms by 20% to 40%,
2. Reduce total product cost by 12.5% to 25%,
3. Increase motor and generator efficiency by 1% to 2%, and
4. Increase motor and generator life.

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

- reduced maintenance costs,
- the standardization of multiple platforms down to a single platform,
- the standardization of drawings and data around existing platforms,
- the ability to use standard designs and standard insulation systems versus customization, and
- the ability to integrate and produce on existing production lines with no retooling and no additional, or minimal, capital investment.

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Recent tests by independent laboratories showed a 200% increase in horsepower capability for a dry pit submersible pump and a 25 to 35% increase in power density for a 650 kVA alternator.

On December 6, 2013, ESSCO Pumps and Controls, a member of the Hydraulic Institute, conducted the tests in accordance with standards set forth by the Institute. The tests examined the tolerances of an industrial electric motor in an extreme situation. The tolerances determine the amount of power that can be driven through pumps run by the motor and are a strong predictor of the maintenance and other service downtime the pump will require. The original pump motor is rated to run, without submersion, for up to 15 minutes before the pump's protective circuits will turn it off to prevent overheating. This heat limitation restricts the output of the motor. The test pump used the same industrial electric motor, except with Cool Tech's thermal dispersion technology incorporated. The result: the test pump ran without submersion for more than two hours at or above full power without reaching critical temperatures that would have caused an automatic shutdown.

On December 13, 2013, Mohler Technology, Inc. of Boonville, Indiana completed tests of an alternator enhanced with our thermal technology. A 650kVA alternator (generator) was run at full load to test its operational limits. The heat produced by generators of that size must be removed or controlled in order for the alternator to operate effectively. Manufacturers' current best practice is to add either a liquid cooling system or an extra large frame around the motor to provide additional surface area to help dissipate the heat. Both practices increase the cost and complexity of the generators.

The alternator tested used our thermal technology with no other cooling of any kind. The results showed a minimum of 25% improvement in power density over the manufacturer's rating for the alternator when operating without water cooling. In fact, the alternator achieved power densities comparable to a liquid-cooled or over-framed one.

The tests confirmed our belief that our heat pipe cooling system equals the effectiveness of a more complex water-cooled system. Extrapolating the results leads us to believe that simple designs incorporating our thermal technology combined with the increase in potential output will result in lower costs to manufacture by reducing the amount of material needed to produce a product with a specific output.

In October 2015, Kato Engineering, a business unit of Nidec, conducted two heat run tests. The tests were performed at a 0.8 power factor and tested rated load temperature using the Emerson LS 625KVA generator with and without our heat dispersion system. Our results were then compared with results of tests performed at a 0.8 power factor using the generator's standard-issue, totally-enclosed, water-to-air cooled (TEWAC) system.

A comparison of all test results produced by the various testing agencies revealed a minor variance in some readings. A plan has been designed to optimize our technology to produce consistent results within a specific parameter. We believe this should enable an OEM (original equipment manufacturer) to offer our technology as an option.

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The successful testing also represents a significant advance in our product development agreements with manufacturing partners. We anticipate that we will begin to enter into license agreements upon completion of the required design refinements and field testing to industry or governmental standards. At this point, the product will be ready to be manufactured on the licensee's regular production line. Any additional field tests will be at the discretion of the licensee.

We also plan to incorporate heat pipes in vehicle components which generate heat such as brake calipers, resistors and rotors. The new brake components should be incorporated in upfitted vehicles when revenues justify their testing and production.

Our revenue model for the heat dispersion technology is to license the technology in exchange for royalties.

Thermal Technology Target Markets: Generators

Large kilowatt:	prime power
Stationary:	emergency back-up
Commercial Mobile:	construction, utilities, mining, drilling
Consumer:	home standby, recreation
Rental:	mobile + light towers, pumps, compressors

Mobile Power Generation (MG)

The Company has a proprietary gearing system, which is used to power an on-board generator, eliminating the need for some commercial vehicles to tow a mobile generator to a work site. Management believes that there is a need for on-board, continuous generation of up to 200 kilowatts (kW) of power to remote jobsites, as well as mobile generation of emergency power in the event of an outage or disaster. We intend to offer an on-board generator installation kit as a stand-alone (Mobile Generator) for third parties and as part of an in-house brand (Ultimate Work Truck).

Management, along with key directors and members of the Board of Advisors utilized 2017 to establish production centers, sign supplier agreements, (Craftsmen Industries, Veteran Technology Group, and Czero, Inc.) interview prospective customers and generate 269 sales commitments which confirmed revenues for the Company. The company also increased electrical output for the MG, added new technical capabilities, finalized data packs, models and schematics to enable third party up-fitting, and defined the steps of the purchase cycle which will be based upon the Six Sigma innovation sales process. We currently intend to launch our MG30-MG125 products in the first half of 2018.

In the first quarter of 2017, we provided the first public demonstration of a 30 kilovolt amp (kVA) MG system at the North American International Auto Show in Detroit, Michigan. In the second quarter, we broadcast a live Internet stream of our demonstration from Craftsman Industries and, followed that with appearance in the parade associated with the Kentucky Derby.

Our revenue model for Mobile Generation will be driven by the efforts of partner up-fitters and truck body builders along with regional sales teams and independent representatives.

We believe that in head-to-head competition with tow behind generators, our mobile generation technology should prove very disruptive. Operators in such markets as utility, telecom and tree service, to name a few, will be able to work in remote locations without having to tow or drop in a generator. We believe that the reduction in overall weight and size should also deliver significant operating efficiencies and savings to work truck fleets.

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Weight of 55 kW tow behind: 6,367 lbs.

Weight of Cool Tech 55 kW MG System: 1,005 lbs.

Competition

Heat Dispersion Technology

Cooling solutions to remove or control heat produced by industrial electric motors, generators and alternators are provided by the manufacturers. Their current best practices are based on technology that's over 50 years old. They either add a liquid cooling system to the motor or build an extra large frame around the motor to provide additional surface area to help dissipate the heat. Both practices increase the cost and complexity of their products.

The Company is not aware of any new alternatives on the market.

Mobile Electric Power (MG30-MG200)

Management believes that the Company can compete in the mobile electric power market because there is a need for on-board generators, as opposed to trailer-mounted generators towed behind a vehicle. A primary benefit will be that the under-chassis installation will allow a truck to tow other trailers and equipment, however, we anticipate that the greatest selling point will be value. In comparison to the purchase price of a new Doosan towable generator, we believe we can provide up to 200 kilowatts ("kW") of auxiliary mobile power to any location for less than half the production cost of a towable, trailer-mounted generator, which may weigh over 10,000 pounds. We intend to deliver the same power at under 3,000 pounds. Our Mobile Generation system will also offer the same features of a tow behind generator including single and three phase outputs as well as a full function generator panel with enhanced capabilities including a touchscreen, digital controls and optional telematics.

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Our target markets will initially center on industries and entities that rarely or never unhook their tow-behind generators from their work trucks. In industry parlance, they are always plugged in.

Mobile Generation System Target Markets
Target

Truck Up-fitters & Service Centers
Global Construction
Global Energy
Utilities
Military

Markets by Size

Asia
North America
Africa
Latin America
Middle East

We believe our competition in the mobile generator market will be from well-established companies such as Cummins, Caterpillar, Doosan, Wacker Neuson, Multi Quip and Generac. All of them offer towable, trailer-mounted generators. Only Cummins Onan offers an onboard generator and it is specifically engineered for mobile emergency vehicle use.

Portable generators also address a need for mobile electric power in the commercial, leisure and residential markets. As outputs tend to range from 1 to 20 kilowatts, the competition they provide is only at the lowest end of our power output spectrum and only from the higher power, higher quality and higher price commercial level units. Onan, Honda and Kohler are among the well-established brand names in the market. There are more than 40-manufacturing companies in the U.S that produce portable generators.

A standard option that is usually ordered from the manufacturer when purchasing a truck is a power take-off or PTO. PTOs are mounted to a truck's drivetrain and redirect engine power to operate onboard equipment. Integrated power systems use the PTO to run an alternating current generator. Cool Tech has the capability to power the generator directly from the drivetrain or from a PTO.

Real Power from Contour Hardening, Inc. offers one and three phase AC power systems driven by a PTO. According to their website, system voltages range from 10 to 200 kW. Systems under 100 kW retrofit under the beds of diesel trucks as small as Ford F-250s. Systems larger than 100 kW require Class 6 diesel trucks and a side mount. The retrofits integrate with the fuel system and generator speed is controlled automatically by the vehicle's engine.

Modular integrated systems offer varying combinations of air compressors, welders, hydraulics and generators. Vanair Manufacturing, Inc's Underdeck uses a PTO to power air compressors, hydraulics and either 6.6 or 9.6 kW generators, according to the company's website. Their truck-mounted Air 'n' Arc All in One Power system adds welding and battery

charger/booster capabilities and exports 4.2 to 7 kW from generators run by a second separate engine.

HIPPO Multipower packages hydraulic, air, electric and welding into a single unit. The company website showcases two models, one which connects to a truck's PTO. The other is powered by a separate diesel engine. Power exported ranges from 5.2 to 9 kW. Units are traditionally mounted on the side or in the bed of a work truck.

The Miller Enpak from Miller Electric Manufacturing Company which is owned by Illinois Tool Works, Inc. offers the same package powered by a separate diesel engine that exports 6 kW of power, according to Miller's website.

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Many electric vehicles (“EV”) and plug-in hybrid electric vehicles (“PHEV”) can use excess battery capacity to provide exportable power with no idling. Most can be recharged from either the electrical grid or the vehicle’s engine.

According to the VIA Motors Inc. website, the company is converting Chevrolet Silverado pick-up trucks and Express vans into hybrids with a panel to provide AC power through 115 and 240 volt electrical plugs. The optional power export module provides 14.4 kW at 60 amps. The company is also working on a utility-grade output module to deliver 50 kW. VIA Motors is producing crew-cab versions with prices in the \$65,000 range, according to a January 2015 article in Bloomberg.com. Via Motors expects to have its technology available to customers within two years.

Workhouse Group, Inc. has announced on their website plans to offer 7.2 Kilowatts of exportable power with an option for 14.4 kilowatts from their Plug-in Electric Pickup Truck. The company is taking pre-orders. According to a May 2017 article on MotorTrend.com, the Workhorse W-15 will go into production in late 2018 at a price of \$52,500, and it will qualify for the \$7,500 federal tax rebate and some state tax rebates. Workhorse hopes to build 10,000 trucks in its first year for fleet customers only.

Odyne Systems, LLC, is a manufacturer of hybrid systems for medium and heavy-duty work trucks over 14,000 pounds. According to their website, the systems are capable of exporting 6 to 18 kW of AC power.

Another way EV and PHEV can power onboard equipment is through an ePTO or electric power take-off which is essentially a battery-powered version of a PTO.

Terex’s Corporation’s hybrid-electric system, HyPower, targets the utility industry, specifically aerial lift, bucket truck and digger derrick applications. According to the company’s website, it features a plug-in ePTO that harnesses stored energy from rechargeable batteries to power onboard equipment and export up to 3.8 kW of power for up to six hours before needing to be recharged.

Efficient Drivetrains, Inc. (“EDI”) develops and markets a range of PHEV and EV drivetrain systems. The drivetrain integrates with light, medium, or heavy duty vehicle designs. Their exportable power options provide 50 up to 160 kW of power for up to 12 hours. As noted in their website, the company recently introduced a Class 6 plug-in hybrid electric truck that exports as much as 160 kW of power.

We believe that EDI is one of the few companies that offers an option to export synchronized power that enables the vehicle to connect directly to the utility power grid. According to an article posted December 11, 2017 on Forbes.com,

the Electric Power Research Institute is leading a project to create a software system to standardize the interface between electric vehicles and electrical grids. It's likely that the software would also have an application for vehicles that export power.

According to their website, Electric Vehicles International, LLC, is developing a plug-in series hybrid truck that will have a 100 kW exportable power option.

Other companies use a vehicle's engine to charge on-board batteries, which then run the generator when the vehicle is stopped. While this eliminates idling, output tends to be less than 50 kilowatts (kW) and lithium-ion batteries typically power the system. The batteries have limited runtimes and a shorter lifespan than acid batteries. In addition, they must be cooled to operate properly.

Altec Inc. JEMS (Jobsite Energy Management System) is an integrated plug-in system that uses stored electrical energy to power equipment and provide up to 18.3 kW of exportable power, according to the company's website.

Two companies dominate belt driven systems: Aura Systems, Inc. and Mobile Electric Power Solutions, Inc. ("MEPS"). Both systems use a vehicle's engine to power a generator and produce electricity whenever the engine is running. The interface to the vehicle is under the hood via a separate belt system. Both are very efficient, capable of delivering the rated power at or near the engine's idle revolutions per minute ("RPM").

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MEPS uses the alternator to power a belt-driven system that provides up to 15 kW. Both companies provide clean power to operate sophisticated electronic equipment. MEPS delivers alternating current ("AC") power, whereas Aura Systems outputs both AC and direct current ("DC").

A variety of MEPS engine or transmission-based electrical power take-off systems also provide exportable power. They tend to output small amounts in the range of 7 kW of 110/220 volt power. MEPS is able to align two generators to double the output to 15 kW.

Our Mobile Generation system can also be used as a Level 2 charging unit for electric vehicles. 'Levels' indicate the charging power. The higher the level, the higher the power. More power equals shorter charging times. Level 2 is typically 240 volt AC current. It is compatible with most electric and plug-in hybrid vehicles. Depending on the battery technology, it takes about 4 to 6 hours to fully charge an electric vehicle. By utilizing the system's telematics capability and its associated connection to the Internet, an MG retrofitted truck can be alerted by either the driver or the electric vehicle itself.

We currently intend to offer Level 3 charging which relies on 480 volt DC (direct current) power within a year. Most Level 3 chargers provide an 80% charge in 30 minutes. At that point, we believe that the system should become a viable and cost effective substitute for a standard charging station.

The only competition for mobile electric vehicle charging of which we are aware is Real Power, a division of Contour Hardening, Inc. Their self-contained system allows for Level 3 DC fast charging of compatible electric vehicles and uses a PTO driven generator. Their chassis-cab trucks provide up to 100 kW of power. The class 6 vehicles provide up to 200 kW.

Some of our potential competitors are significantly larger than we are, have been in business much longer than we have, and have significantly more resources at their disposal and may be able to respond more quickly and efficiently to changes in the marketplace, whether as a result of technological, economic or customer requirements or preferences.

This also enhances their ability to obtain top engineering talent as well as sales representatives with strong industry ties. Plus, their greater market clout could effectively overwhelm our promotional and marketing efforts.

Equipment

As a company that intends to commercialize or license its proprietary technology for others to install, manufacture and/or distribute, our equipment needs are project specific and temporary. We do not intend to purchase any production equipment to implement our business operations, but instead we will rent, lease or outsource as needed.

Manufacturing

We do not plan to manufacture in-house. The Company plans to partner with manufacturers utilizing their assets and system integrators to up-fit our Mobile Generation technology. For our thermal technologies, the Company plans to rely on product development agreements with manufacturers who will then pay a license or royalty per unit. We anticipate that such agreements will delineate the respective intellectual property owned by both companies, describe the goal of the testing to verify the savings and value to a particular company, the equipment to be modified, the criteria that constitute successful testing, how and where the tests will be conducted and the next steps to be taken in the event of successful testing.

Suppliers

For mobile power generation, the required software and its vehicle integration will be supplied by Czero, Inc. along with partner truck up-fitters.

Production level quantities will be handled by KATO Engineering, a business unit of Nidec Corporation, with a backup of multiple other sources, if needed, such as Regal Beloit, Generac, etc. As for a supplier of our PPIG gearing system, we have identified and are working with both North American and Asian partners. We hope to obtain the balance of the components from a number of other suppliers.

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Panasonic System Communications Company of North America will supply Panasonic Toughpad tablets, equipped with the CoolTech software to function as the Human Machine Interfaces. Field technicians to control and calibrate the Mobile Generation systems through the touchscreens. The Toughpads will be deployed in both the trucks' cabs and in the control panel box on the side of the vehicles.

For the thermal technology applications in electric motors, Thermacore, Inc. will supply the heat pipes and mechanical structure, which combine to make the heat exchangers. We will coordinate with Thermacore to combine our thermal technology with Thermacore technology in the creation of heat exchangers.

For dry pit submersibles, we intend to purchase the wound stator and the rotor-shaft from Nidec Motor Corporation or other partner sources such as Baldor Electric, Regal Beloit and others. We intend to purchase the fully-machined castings from the Quality Castings Company, located in Orville, Ohio. We intend that these components will then be assembled and tested by Consulting Point, Inc. located in Brownsville, Texas or another partner assembler in the USA.

Intellectual Property

Our success depends in part on our ability to protect our technology and intellectual property. To accomplish this, we rely on a combination of patents, patent applications, trade secrets, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights. Currently, we have no licenses or contractual rights in place to protect our technology and intellectual property, only patents or patents pending.

As of April 10, 2018, we have seven US patents, one Mexican patent, four pending patent applications (2 in Canada, 1 in Brazil, 1 US) and one filed US provisional application pending in the area of composite heat structures, motors and related structures, heat pipe architecture, applications (commonly referred to as "thermal" or "heat dispersion technology") and a parallel vehicle platform system. We also have Patent Cooperation Treaty ("PCT") applications filed for a heat pipe cooled brake system, a parallel power input gearing system ("PPIG") and radial vent thermal technology. In addition, we have applied for and received a trademark for an acronym for one of our technologies: "TEHPC"

Our success will likely depend upon our ability to preserve our proprietary technologies and operate without infringing the proprietary rights of other parties. However, we may also rely on certain proprietary technologies and know-how that are not patentable.

We strive to protect such proprietary information, in part, by the use of confidentiality agreements with our employees, consultants and contractors. The Company has a policy of not disclosing its patent applications in order to protect the underlying technology.

The following table sets forth the patents we own or license which we believe support our technology.

Number		Filing	Issue	Expiration	
Patent	Country	Date	Date	Date	Title
8,283,818 B2	US	February 4, 2010	October 9, 2012	October 9, 2032	Electric Motor with Heat Pipes
8,134,260 B2	US	July 31, 2009	March 13, 2012	March 13, 2032	Electric Motor with Heat Pipes
8,148,858 B2	US	August 6, 2009	April 3, 2012	April 3, 2032	Totally Enclosed Heat Pipe Cooled Motor
8,198,770 B2	US	April 3, 2009	June 12, 2012	June 12, 2032	Heat Pipe Bearing Cooler Systems and Methods
7,569,955 B2	US	June 19, 2007	August 4, 2009	August 4, 2029	Electric Motor with Heat Pipes
9,618,068	US	December 18, 2014	April 11, 2017	April 11, 2037	Heat Pipe Cooled Wet Brake
9,543,809	US	February 25, 2014	January 10, 2017	January 10, 2037	Radial Vent Composite Heat Pipe
346856	Mexico	August 25, 2015	April 3, 2017	February 25, 2034	Radial Vent Composite Heat Pipe

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Government and Industry Regulation

We intend to conduct business worldwide and, therefore, we must comply with local, state, federal, and international regulations, both in operations and for our products.

As a company, we do not plan to manufacture any of our products. Therefore, the government regulations we will be subject to will be limited to storage and involve rotating the shafts of stored electric motors on a regular basis.

Applicable laws and regulations include those governing, among other things, the handling, storage and transportation of materials and products as well as noise and employee safety.

In addition, some of our products are subject to various laws and regulations relating to, among other things, emissions and fuel requirements.

Accordingly, we may be required or may voluntarily determine to obtain approval of our products from one or more of the organizations engaged in regulating product or environmental safety. These approvals could require significant time and resources from our technical staff and, if redesign were necessary, could result in a delay in the introduction of our products in various markets and applications.

Although we believe that our operations and products are in material compliance with current applicable regulations noted within this section, there can be no assurance that changes in such laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. New regulations could also require our licensees to redesign their products which could cause us to redesign our technologies which, consequently, could affect market growth for our products.

As our thermal technologies are incorporated in existing motors, generators and other manufactured products that are already subject to regulation. The regulatory burden will fall on the original equipment manufacturers that license our technology.

The Company intends to add a mobile power generation system to Class 3-8 work trucks. In addition to an existing generator incorporating our thermal technology, the stand-alone version of our auxiliary mobile power system will

include a specialized gearing package, which connects the drive train to a generator that will be added on-board. We believe that the vehicle and drive train will operate normally in accordance with manufacturer's specifications and that no regulations will be violated or exceeded as well. Nonetheless, in some markets, the Company will have to certify that it meets federal, state or local noise and emission regulations.

Our designs comply with current EPA emission standards and we believe they will comply with future requirements.

No original vehicle parts will be significantly modified in the retrofitting process. There will be some additional parts (generator, gearing system, touchscreens, software, sensors and controls) added, but these parts will not change how the vehicle operates in any way. Although we will be adding a gearing package to connect the drive train to the generator, the rest of the drive train will operate according to the manufacturer's specifications. Therefore, we believe that the original warranty will remain in effect and we do not believe that the conversion will violate the Magnuson-Moss Act.

The Magnuson-Moss Warranty Act is a federal law that protects consumers by barring a vehicle manufacturer from voiding the warranty on a vehicle due to an aftermarket part unless the manufacturer can prove that the aftermarket part caused or contributed to the failure in the vehicle. The Company will warranty the MG System with an industry standard warranty. All of our other components (generator, human machine interface, software, controller/sensors) will be warranted by their respective manufacturers.

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The Department of Transportation, National Highway Traffic Safety Administration ("NHTSA") is charged with writing and enforcing safety and fuel economy standards for motor vehicles through their Federal Motor Vehicle Safety Standards. These standards require manufacturers to design their electrically powered vehicles so that, in the event of a crash, the electrical energy storage, conversion, and traction systems are either electrically isolated from the vehicle's chassis or their voltage is below specified levels considered safe from electric shock hazards. Our planned no-idle version of our Mobile Generation system will be designed to meet or exceed these requirements.

In addition, the total weight of the additional components should remain within the vehicle's gross vehicle weight rating. As a result, we believe that our retrofits will be in compliance with federal and state transportation regulations.

While we do not create and market our products around government subsidies and tax incentives, an MG truck equipped with a charger can provide a Level II charge to one or more electric vehicles. Our 200 kVA truck will enable Level III DC fast charging capability. Assuming the MG truck qualifies as a charging station, at least 26 states and a number of municipalities offer tax credits or rebates for electric vehicle charging stations.

If we fulfill all elements of our business plan, we will have to prepare for, understand and ultimately meet emerging product environmental regulations around the world. Our products will have to comply with the current emission standards that went into effect in the European Union in 2015, as well as the standards in other international markets, including Japan, Mexico, Australia, Brazil, Russia, India and China that are becoming more stringent.

Employees

As of April 10, 2018, we had three full time employees and no part time employees. We hope to hire additional employees, on an as-needed basis, subject to sufficient funding, as products and services are developed.

Research and Development

During the years 2017 and 2016, we incurred research and development costs of \$348,424 and \$251,724, respectively. Such costs were not borne directly by customers.

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Item 1A: Risk Factors

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our independent auditors have expressed their concern as to our ability to continue as a 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 years ended December 31, 2017 and 2016 that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. As of December 31, 2017, we have incurred net losses of \$45,247,740 since inception and have not fully commenced operations, raising substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to generate revenue, achieve profitable operations and repay our obligations when they come due. These 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. We are negotiating additional non-dilutive funding arrangements to support completion of the initial phases of our business plan: to license its thermal technologies and applications, including submersible dry-pit applications; to license and sell mobile generation retrofit kits (our Ultimate Power Truck business) driven by our proprietary gearing system. There can be no assurance, however, that we will be successful in accomplishing these objectives.

Our limited operating history makes evaluating our business and future prospects difficult, and may increase the risk of your investment.

We have a very limited operating history on which investors can base an evaluation of our business, operating results and prospects. We have no operating history with respect to commercializing our heat pipe technology and licensing it to motor and generator manufacturers or selling mobile generators or translating our thermal technology from testing and one-off applications into mass market production. Consequently, it is difficult to predict our future revenues, if any, and appropriately budget for our expenses, and we have limited insight into trends that may emerge and affect our business.

We have only recently begun the final commercialization of our complete mobile power generation system. Completion of the initial commercialization of the mobile power generation system is dependent upon the availability of sufficient funds, final engineering, component procurement, and build out and testing. This limits our ability to accurately forecast the cost of the new vehicle installations or retrofits or to determine a precise date on which the commercial platform for vehicle installations or retrofits will be released. In addition, we may also need to do extensive testing to ensure that the installations and retrofits are in compliance with applicable National Highway

Traffic Safety Administration safety regulations and EPA regulations prior to full distribution to our licensees. If the markets for mobile power generation installations or retrofits and/or electric motors enhanced with thermal technology and/or mobile generators do not develop as we expect or develop more slowly than we expect, our business, prospects, financial condition and operating results will be harmed.

We have a history of operating losses and expect to continue incurring losses for the foreseeable future.

We were incorporated in 2002 and in March 2011, we began commercialization of our technologies and research and development activities. We incurred cumulative net losses of \$45,247,740 as of December 31, 2017. We cannot anticipate when, if ever, our operations will become profitable. We expect to incur significant net losses as we develop and commercialize our technologies and pursue our business strategy. We intend to invest significantly in our business before we expect cash flow from operations to be adequate to cover our operating expenses. If we are unable to execute our business strategy and grow our business, for any reason, our business, prospects, financial condition and results of operations will be adversely affected.

If we are unable to obtain additional funding, our business operations will be harmed.

We will require additional funds to implement our complete product development and to commercialize our products. We anticipate that we will require a minimum of \$3,200,000 with anticipated expenses of \$1.4 million for public company filings, consultants, vendors, professional fees, debt and salaries to fund our planned activities for the next twelve months. We may issue equity securities to raise needed capital. We may be unable to secure such funding when needed in adequate amounts or on acceptable terms, if at all. Any equity financing may involve substantial dilution to our then existing stockholders. The inability to raise the capital will restrict our ability to develop and conduct business operations.

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The market for mobile power generation is relatively new.

Mobile Power Generation is evolving, as more hybrid and electric vehicles are sold and low power generation systems are incorporated in internal combustion trucks. Significant increases in the electrical output of existing mobile power systems, new government regulations or changes in consumer demand and behavior may slow the growth of our business and negatively impact our financial results.

If we are unable to keep up with rapid technological changes in our field, we will be unable to operate profitably.

Our industry is characterized by extensive research efforts and rapid technological progress. If we fail to anticipate or respond adequately to technological developments, our ability to operate profitably could suffer. We cannot assure you that research and discoveries by other companies will not render our technologies or potential products or services uneconomical or result in products superior to those we develop or that any technologies, products or services we develop will be preferred to any existing or newly-developed technologies, products or services.

Many of our potential competitors are better established and have significantly greater resources which may make it difficult for us to compete in the markets in which we intend to sell our products.

The market for the products we develop is highly competitive. Many of our potential competitors are well established with larger and better resources, longer relationships with customers and suppliers, greater name recognition and greater financial, technical and marketing resources than we have. Increased competition may result in price reductions, reduced gross margins, loss of market share and loss of licensees, any of which could materially and adversely affect our business, operating results and financial condition. We cannot ensure that prospective competitors will not adopt technologies or business plans similar to ours, or develop products which may be superior to ours or which may prove to be more popular. It is possible that new competitors will emerge and rapidly acquire market share. We cannot ensure that we will be able to compete successfully against future competitors or that the competitive pressures will not materially and adversely affect our business, operating results and financial condition.

We may experience significant delays in the design and implementation of our thermal technology into the motors and/or generators of the companies with which we have research and development agreements which could harm our business and prospects.

Motor manufacturers often experience delays in the design, manufacture and commercial release of new product lines. Any delay in the financing, design, and implementation of our thermal technology into the motor and/or generator lines of companies with which we may have research and development agreements could materially damage our brand, business, prospects, financial condition and operating results.

If we are unable to adequately control the costs associated with operating our business, including our costs of sales and materials, our business, financial condition, operating results and prospects will suffer.

If we are unable to maintain a sufficiently low level of costs for designing, marketing, selling and distributing our conversion system and thermal technologies relative to their selling prices, our operating results, gross margins, business and prospects could be adversely impacted. We have made, and will be required to continue to make, significant investments for the design and sales of our system and technologies. There can be no assurances that our costs of producing and delivering our system and technologies will be less than the revenue, if any, we may generate from sales and/or licensing. We may be required to incur substantial marketing costs and expenses to promote our systems and technologies, even though our marketing expenses to date have been relatively limited. Many of the factors that impact our operating costs are beyond our control. For example, the costs of our components could increase due to shortages if global demand for such components increases.

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We will be dependent on our suppliers, some of which are single or limited source suppliers and the inability or refusal of these suppliers to deliver components at prices and volumes acceptable to us would have an adverse effect on our business.

We are currently evaluating and selecting suppliers for our conversion system. We plan to source globally from a number of suppliers, some of whom may be single source suppliers for these components. While we hope to obtain components from multiple sources whenever possible, it may not always be possible to avoid purchasing from a single source. To date, we have not qualified alternative sources for any of our single-sourced components. We may be unable to establish alternate supply relationships and obtain or engineer replacements for our single source components, in the short term or at all, or at prices favorable to us. Qualifying alternate suppliers or developing our own replacements for certain highly customized components may be time consuming and costly.

Failure to obtain reliable sources of component supply that will enable us to meet quality, price, engineering, design and production standards, as well as the production volumes required to successfully market our conversion system could negatively affect our Company's revenues and business operations. Even if we are successful in developing a high volume conversion platform and reliable sources of component supply, we do not know whether we will be able to do so in a manner that avoids significant delays and cost overruns.

If we experience significant increased demand, or need to replace our existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, or that a supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to delays to our customers, which could hurt our relationships with our customers, result in negative publicity, damage our brand and adversely affect our business, prospects and operating results.

Any significant disruption in our supplier relationships, particularly relationships with sole source suppliers, could harm our business. Furthermore, some of our suppliers may not be able to handle any commodity cost volatility and/or sharply changing volumes while still performing as we expect. To the extent our suppliers experience supply disruptions, there is a risk for delivery delays, production delays, production issues or delivery of non-conforming products by our suppliers. Even where these risks do not materialize, we may incur costs as we try to make contingency plans for such risks.

The use of, mobile generators or incorporation of our heat pipe technology in vehicle components or electric motors and generators may not become sufficiently accepted for us to develop our business.

In order to develop our business, we must license fleet, dealer and service center and manufacturing customers. We cannot guarantee that we will be able to develop these customers or that they will enter into license agreements with us. Whether we will be able to develop a customer base will depend on a number of factors, including the level of acceptance of mobile generation by fleet owners and the general public or the desire by vehicle parts or electric motor manufacturers to enhance their products with our heat pipe technology. If we are unable to develop a customer base we will be unable to develop and grow our business.

If there are advances in other alternative vehicle technologies, or if there are improvements in existing mobile power generation systems or in heat reduction or heat transfer technology, mobile power generation installations or retrofits and our other products may decline and our business may suffer.

While we are currently unaware of innovations in or introductions of new heat reduction or heat transfer technologies or mobile generation, competitors or others may introduce new technology that offers better or equivalent results at a lower price at any time which would have a detrimental effect on our business and operations.

Our research and commercialization efforts may not be sufficient to adapt to technological changes.

As technologies change, we plan to upgrade or adapt our mobile power generation system in order to continue to provide vehicles with the latest technology. However, our installations or retrofits may not compete effectively with alternative vehicles if we are not able to source and integrate the latest technology into our mobile power generation system. We plan to offer a no-idle system, however, since we do not plan to manufacture battery cells, we are dependent on suppliers of battery cell technology for our battery packs. Any failure to keep up with advances in electric or hybrid vehicle technology would result in a decline in our competitive position which would adversely affect our business, prospects, operating results and financial condition.

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A prolonged economic downturn or economic uncertainty could adversely affect our business and cause us to require additional sources of financing, which may not be available.

Economic cycles and any related fluctuation in the businesses of our potential fleet customers, electric motor manufacturers or income of the general public may have a material adverse effect on our financial condition, results of operations or cash flows. If global economic conditions deteriorate or economic uncertainty increases, our potential customers may experience lowered incomes or deterioration of their businesses, which may result in the delay or cancellation of plans to convert their vehicles, reduced license sales or reduced royalties from sales by licensees. As a consequence, our cash flow could be adversely impacted.

Any changes in business credit availability or cost of borrowing could adversely affect our business.

Declines in the availability of business credit and increases in corporate borrowing costs could negatively impact the number of mobile generators installed and the number of electric motors and generators manufactured. Substantial declines in the number of installations or retrofits by our customers could have a material adverse effect on our business, results of operations and financial condition.

If we lose any of our key management personnel, we may not be able to successfully manage our business or achieve our objectives.

Our future success depends in large part upon the leadership and performance of our management and consultants. The Company's operations and business strategy are dependent upon the knowledge and business contacts of our executive officers and our consultants. We have employment agreements with our Chief Executive Officer, Vice President and Chief Technical Officer and a consulting agreement for the services of Quentin Ponder, our Chief Financial Officer. Although, we hope to retain the services of all of our officers, if an officer should choose to leave us for any reason before we have hired additional personnel, our operations may suffer. If we should lose their services before we are able to engage and retain qualified employees and consultants to execute our business plan, we may not be able to continue to develop our business as quickly or efficiently.

In addition, we must be able to attract, train, motivate and retain highly skilled and experienced technical employees in order to successfully develop our business. Qualified technical employees often are in great demand and may be unavailable in the time frame required to satisfy our business requirements. We may not be able to attract and retain sufficient numbers of highly skilled technical employees in the future. The loss of technical personnel or our inability to hire or retain sufficient technical personnel at competitive rates of compensation could impair our ability to successfully grow our business. If we lose the services of any of our consultants, we may not be able to replace them

with similarly qualified personnel, which could harm our business.

We may incur material losses and costs as a result of product defects, warranty claims or product liability actions that may be brought against us.

We face an inherent business risk of exposure to product liability in the event that our mobile power generation system or other products fail to perform as expected or failure of our products results in bodily injury or property damage.

If flaws in the design of our products were to occur, we could experience a rate of failure in our mobile power generation system or other products that could result in significant charges for product re-work or replacement costs. Although we plan to engage in extensive quality programs and processes, these may not be sufficient to avoid conversion or product failures, which could cause us to:

- lose net revenue;
- incur increased costs such as costs associated with customer support;
- experience delays, cancellations or rescheduling of retrofits or orders for our products;
- experience increased product returns or discounts; or
- damage our reputation;

all of which could negatively affect our financial condition and results of operations.

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If any of our mobile power generation systems or other products are or are alleged to be defective, we may be required to participate in a recall involving such installations or retrofits or products. A recall claim brought against us, or a product liability claim brought against us in excess of our insurance, may have a material adverse effect on our business.

Depending on the terms under which we supply products to a vehicle component or engine manufacturer, a manufacturer may attempt to hold us responsible for some or all of the repair or replacement costs of defective products under their warranties when the manufacturer asserts that the product supplied did not perform as warranted.

Developments or assertions by us or against us relating to intellectual property rights could materially impact our business.

We own significant intellectual property, including a number of patents, and intend to be involved in numerous licensing arrangements. Our intellectual property should play an important role in maintaining our competitive position in a number of the markets we intend to serve.

We will attempt to protect proprietary and intellectual property rights to our products and conversion system through available patent laws and licensing and distribution arrangements with reputable domestic and international companies. Despite these precautions, patent laws afford only limited practical protection in certain countries.

Litigation may also be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others or to defend against claims of invalidity. Such litigation could result in substantial costs and the diversion of resources.

As we create or adopt new technology, we will also face an inherent risk of exposure to the claims of others that we have allegedly violated their intellectual property rights.

Our products could infringe on the intellectual property rights of others which may result in costly litigation and, if we do not prevail, could also cause us to pay substantial damages and prohibit us from selling or licensing our products.

Third parties may assert infringement or other intellectual property claims against us. We may have to pay substantial damages, including damages for past infringement if it is ultimately determined that our products or technology infringe a third party's proprietary rights. Further, we may be prohibited from selling or providing products before we obtain additional licenses, which, if available at all, may require us to pay substantial royalties or licensing fees. Even if claims are determined to be without merit, defending a lawsuit takes significant time, may be expensive and may divert management's attention from our other business concerns. Any public announcements related to litigation or interference proceedings initiated or threatened against us could cause our business to be harmed and our stock price to decline.

We may incur losses, additional costs or even interruption of business operations as a result of fines or sanctions brought by government regulators.

Our business will be subject to various U.S. federal, state and local, and non-U.S. environmental, transportation and safety laws and regulations.

We cannot assure you that we will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or certifications, we could be fined or otherwise sanctioned by regulators.

We may face risks from doing business internationally.

If we are successful in commercializing our products, we may license, sell or distribute products outside the United States, and derive revenues from these sources. Consequently, our revenues and results of operations will be vulnerable to currency fluctuations. We will report our revenues and results of operations in United States dollars, but a significant portion of our revenues may be earned outside of the United States. We cannot accurately predict the impact of future exchange rate fluctuations on revenues and operating margins. Such fluctuations could have an adverse effect on our business, results of operations and financial condition.

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Our business will also be subject to other risks inherent in the international marketplace, many of which are beyond our control. These risks include:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- changes in local regulatory requirements, including restrictions on installations or retrofits;
- differing cultural tastes and attitudes;
- differing degrees of protection for intellectual property;
- the instability of foreign economies and governments;
- war and acts of terrorism.

Any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

We are subject to extensive financial reporting and related requirements for which our accounting and other management systems and resources may not be adequately prepared.

We are subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting. These reporting and other obligations will place significant demands on our management, administrative, operational and accounting resources.

Failure to establish adequate internal controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

We may be at risk to accurately report financial results or detect fraud if we fail to maintain an effective system of internal controls.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report that contains an assessment by management on the Company's internal control over financial

reporting in their annual and quarterly reports on Form 10-K and 10-Q. We cannot assure you that significant deficiencies or material weaknesses in our disclosure controls and internal control over financial reporting will not be identified in the future. Also, future changes in our accounting, financial reporting, and regulatory environment may create new areas of risk exposure. Failure to modify our existing control environment accordingly may impair our controls over financial reporting and cause our investors to lose confidence in the reliability of our financial reporting, which may adversely affect our stock price.

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RISKS ASSOCIATED WITH OUR COMMON STOCK

The issuance of shares upon conversion of our preferred stock and exercise of outstanding warrants and options will cause immediate and substantial dilution to our existing stockholders.

As of December 31, 2017, there are 33 shares of Series A preferred stock ("Series A Stock") issued and outstanding (each such share of Series A Stock has the voting right of 50,000 shares of common stock) convertible into an aggregate of 1,650,000 shares of common stock and 2,727,270 shares of Series B preferred stock ("Series B Stock") issued and outstanding. For so long as the Series B Stock is issued and outstanding, the holders of Series B Stock shall vote together as a single class with the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock, with the holders of Series B Stock being entitled to 66 2/3% of the total votes on all such matters. There are also warrants to purchase an aggregate of 75,404,803 shares of common stock and options to purchase an aggregate of 4,000,000 shares of common stock outstanding. The issuance of shares upon conversion of preferred stock and exercise of warrants and options will result in substantial dilution to the interests of other stockholders.

The holders of the Series B Stock have 66 2/3% of the voting rights of the Company.

Because the holders of the Series B Stock have 66 2/3% of the voting rights of the Company if they act together, may will be able to influence the outcome of all corporate actions requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions, which may result in corporate action with which other stockholders do not agree. If the Series B stockholders vote in favor of the foregoing action, and have sufficient voting power to approve such actions through their ownership of Series B Stock, no other stockholder approvals will be required.

Our common stock is subject to the "penny stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The SEC has adopted Rule 15c-2-01 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person's account for transactions in penny stocks; and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer

must: (i) obtain financial information and investment experience objectives of the person; and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (i) sets forth the basis on which the broker or dealer made the suitability determination; and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Because we do not intend to pay any cash dividends on our shares of common stock, our stockholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them at a price higher than that which they initially paid for such shares.

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The market price of our shares of common stock is subject to fluctuation.

The market prices of our shares may fluctuate significantly in response to factors, some of which are beyond our control, including:

- The announcement of new products by our competitors
- The release of new products by our competitors
- Developments in our industry or target markets
- General market conditions including factors unrelated to our operating performance

Recently, the stock market in general has experienced extreme price and volume fluctuations. Continued market fluctuations could result in extreme market volatility in the price of our shares of common stock which could cause a decline in the value of our shares.

There is a very limited trading market for our securities.

There is currently only a limited trading market for our common stock. We cannot predict the extent investor interest will lead to development of an active trading market or how liquid that trading market might become. If an active trading market does not develop or is not sustained, it may be difficult for investors to sell shares of our common stock at a price that is attractive or at all. In such a case, you may find that you are unable to achieve any benefit from your investment or liquidate your shares.

Because we are not subject to compliance with rules requiring the adoption of certain corporate governance measures, our stockholders have limited protections against interested director transactions, conflicts of interest and similar matters.

We do not have committees, including independent audit and compensation committees and as a result our board, including directors who are also officers, make corporate governance decisions including officer compensation. The absence of these committees measures, regardless of whether such compliance is required, the absence of such standards of corporate governance may leave our stockholders without protections against interested director transactions, conflicts of interest and similar matters and investors may be reluctant to provide us with funds necessary to expand our operations.

Our Articles of Incorporation allow for our board of directors to create new series of preferred stock without further approval by our stockholders which could adversely affect the rights of the holders of our common stock.

Our Board has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board also has the authority to issue preferred stock without further stockholder approval. As a result, our Board could authorize the issuance of a series of preferred stock that would grant to such holders (i) the preferred right to our assets upon liquidation, (ii) the right to receive dividend payments before dividends are distributed to the holders of common stock and (iii) the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing common stockholders.

Any of the actions described in the preceding paragraph could significantly adversely affect the investment made by holders of our common stock. Holders of common stock could potentially not receive dividends that they might otherwise have received. In addition, holders of our common stock could receive less proceeds in connection with any future sale of the Company, whether in liquidation or on any other basis.

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Our officers and directors own a substantial amount of our common stock and, therefore, exercise significant control over our corporate governance and affairs which may result in their taking actions with which other shareholders do not agree.

Our executive officers and directors control approximately 11.9% of our outstanding common stock. These stockholders, if they act together, may be able to exercise substantial influence over the outcome of all corporate actions requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions, which may result in corporate action with which other stockholders do not agree. This concentration of ownership may also have the effect of delaying or preventing a change in control which might be in other stockholders' best interest but which might negatively affect the market price of our common stock.

We are in breach of our agreements with certain investors for failure to timely file a registration statement with the SEC registering shares offered and sold to such investors.

In connection with the offer and sale shares and warrants to purchase shares of common stock, the Company agreed to file a registration statement with the SEC including these shares once the Company sold an aggregate of \$1 million shares. The Company sold \$1 million shares in July 2013. In addition, our placement agents also have "piggyback" registration rights for shares underlying warrants issued to them. If an investor or placement agent decides to bring an action against the Company before this registration statement is deemed effective we may be faced with litigation and other costs and damages if unsuccessful in any such action.

We may, in the future, issue additional common shares, which would reduce investors' percent of ownership and may dilute our share value.

Our Articles of Incorporation authorizes the issuance of 350,000,000 shares of common stock, par value \$0.001 per share, of which as of April 10, 2018, 191,412,240 shares are issued and outstanding excluding 1,000,000 shares held in escrow. The future issuance of common stock may result in substantial dilution in the percentage of our common stock held by our then existing stockholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and may have an adverse effect on any trading market of our common stock.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

If our stockholders sell substantial amounts of our common stock in the public market under Rule 144 or upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company rents a virtual office, which it uses as its corporate headquarters for a monthly rent of \$300. The office is located at 8875 Hidden River Parkway, Suite 300, Tampa, Florida 33637. We believe that currently this space is adequate. The Company rents a standalone commercial building located at 13800 US Highway 19 North, Clearwater, Florida 33764, which it uses as the headquarters for UPT for a monthly rent of \$3,210.

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Item 3. Legal Proceedings

SEC Subpoena Ltd.

Effective May 1, 2015, we executed a First Amendment to Settlement Agreement (the "Amendment") with Spirit Bear Ltd. ("Spirit Bear") and the parties identified as the assignees of Spirit Bear who are signatories to the Amendment, which amends certain provisions of the Settlement Agreement. In accordance with the terms of the Amendment, Jay Palmer, Carrie Dwyer and Donica Holt, the Spirit Bear holdover directors, tendered their resignations from the Board of Directors of the Company. Spirit Bear also agreed that it will no longer have any rights to appoint nominees to the Board of Directors. Pursuant to the Amendment, the Company agreed to file a registration statement on Form S-1 covering an aggregate of 14,845,072 shares of common stock, preferred stock and warrants on behalf of Spirit Bear and its assignees no later than July 15, 2015, which was filed with the SEC on July 15, 2015. A representative of Spirit Bear agreed that the obligation to register the shares on a Form S-1 need only include shares of common stock and shares of common stock issuable upon conversion of the Series A Stock and exercise of the warrants held by Spirit Bear and its assignees. The Company agreed to issue replacement warrants for certain previously-issued warrants, which will be canceled in connection with the replacement issuance. Within 10 business days of June 1, 2015, the parties agreed to dismiss all of the pending litigation between and among them.

On August 28, 2015, the parties filed a stipulation to dismiss the direct claims of the Company against Spirit Bear and of Spirit Bear against the Company in the Nevada lawsuit. By order dated September 1, 2015, and filed September 2, 2015, the court ordered dismissal of all direct claims in the Nevada lawsuit.

Additionally, on February 20, 2015, the Court issued its preliminary approval to the derivative action settlement agreement (the "DASA"), which would lead to the ultimate dismissal of the derivative suit also filed by Spirit Bear in the same action. The Court has scheduled a fairness hearing for November 20, 2015, to consider giving its final approval to the DASA. No shareholder filed any objections to the DASA by April 30, 2015, which was the deadline established by the Court for filing objections. On October 22, 2015, however, Peak Finance, LLC ("Peak Finance") filed a Motion to Intervene in the action seeking, among other things, approval to file a new derivative Complaint in this matter. The Company has opposed this Motion.

At the November 20, 2015 fairness hearing, the Court denied Peak Finance's Motion to Intervene. However, the Court did allow Peak Finance to formally argue its objections to the DASA. The Court ordered additional briefing on certain issues. The Court further ordered another hearing to consider the DASA on April 1, 2016.

On April 1, 2016, Peak Finance and the Company advised the Court that they had agreed in principle to a settlement that would include withdrawal of Peak Finance's objection to the DASA. On April 20, 2016, the parties filed a Stipulation and Proposed Order for Withdrawal of Objection to DASA which was granted by the Court on April 21, 2016. On May 3, 2016, the Court issued an Order which fully and finally approved the DASA and dismissed the case, with prejudice.

On November 4, 2016, Spirit Bear agreed to the withdrawal of the registration statement in exchange for confirmation that the warrants owned by Spirit Bear and its associate which were subject to a separate court action shall not expire even if the court action continued beyond the warrants' initial expiration date. The registration had not been declared effective by the SEC and the Company filed a request to withdraw the Registration Statement on November 14, 2016..

SEC Subpoena

On September 18, 2013, separate and distinct from the settlement of the lawsuit discussed above, 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. The company has not heard anything further concerning the investigation.

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US District Court, Eastern District of New York

On August 31, 2015, the Company received notice of a summons in the matter styled Peak Finance, LLC, Derivatively on Behalf of Nominal Defendant, HPEV, Inc. v. Hassett, et al., No. 2:15-cv-01590-GMN-CWH, filed in the United States District Court for the District of Nevada (the “Peak Finance Claim”). Plaintiff Peak Finance, LLC (“Peak Finance”) alleges that certain members of the Company’s Board of Directors and officers caused a misleading proxy statement to issue and breached alleged fiduciary duties from and after June 18, 2013. Peak Finance further alleges that its claim is related to the Spirit Bear Lawsuit described above. The Company has not determined that there is any merit to the allegations, and has decided to submit the claims to an Independent Director Committee consisting of Directors Christopher McKee, Richard J. “Dick” Schul, and Donald Bowman for their review and consideration. Additionally, on September 28, 2015, the Company filed a motion to dismiss the initial Complaint filed by Peak Finance. On October 22, 2015, rather than oppose the motion to dismiss, Peak Finance filed an amended complaint in this case in addition to the Motion to Intervene in the pending Spirit Bear litigation set forth above. On November 9, 2015, the Company filed a new motion to dismiss the first amended complaint filed by Peak Finance on October 22, 2015. No hearing is presently scheduled on this motion to dismiss.

On April 20, 2016, the parties filed a Stipulation and [Proposed] Order Regarding Settlement. This Stipulation sought the Court’s preliminary approval of a settlement agreement negotiated between the parties (“Settlement Agreement”) which, if fully and finally approved by the Court, would lead to the dismissal of this action. By Order dated May 18, 2016, the Court, subject to receipt and consideration of any objections filed by non-party shareholders, preliminarily approved the proposed Settlement Agreement. The Court further set a deadline of July 29, 2016 for filing objections to the Settlement Agreement. No objections to the Settlement Agreement were filed by July 29, 2016. The parties intend on filing a stipulation seeking final approval of the Settlement Agreement and dismissal of the case as soon as practicable.

On October 11, 2016, the United States District Court, District of Nevada orally approved the derivative action settlement agreement (“Peak Settlement Agreement”) reached in Peak Finance, LLC v. Timothy J. Hassett et. al., Case No. 2:15-cv-01590-GMN-CWH. Noting that no non-party shareholder filed any objections to the Peak Settlement Agreement, the District Court specifically found that it is “fundamentally fair, reasonable and adequate” and serves the best interest of the Company. The Court further directed that counsel for the parties prepare a proposed formal written order finally approving the Peak Settlement Agreement and dismissing the case.

On October 20, 2016, the Derivative Action Settlement Agreement was formally approved and the case was formally dismissed with prejudice.

Subsequent to the dismissal, an Independent Directors Committee consisting of directors Christopher McKee, Richard J. “Dick” Schul and Donald Bowman reviewed the allegations made by Peak Finance, LLC to determine a proper

corporate response. On December 6, 2016, a quorum of the members of the Independent Directors Committee met with Peak Finance, LLC in New York City, in order to fulfill the judges' final orders. No further action is required by the Company in this matter.

U.S. District Court, Eastern District of New York

On October 7, 2016, the Company received a complaint, Wang et al v. Cool Technologies, Inc. et al, filed on July 28, 2016 in the U.S. District Court for the Eastern District of New York (Brooklyn) Civil docket #1:16-CV-04101-RRM-PK against the Company and Timothy Hassett, the Company's Chief Executive Officer, alleging damages of \$1,100,000 for inter alia breach of contract for failing to register shares sold to the Plaintiffs in February and March 2014.

On March 30, 2017, the Company and Timothy Hassett, the Company's Chief Executive Officer, requested leave of the court to move to dismiss the matter, on both Substantive and Jurisdictional grounds. On April 13, 2017, the Honorable Roslynn R. Mauskopf granted leave to renew our March 30, 2017 request for a pre-motion conference after the initial conference before Magistrate Judge Kuo. At the initial conference, Corporate counsel informed the court that the Company, in fact, filed a registration statement for said shares in July 2014 and the Warrants were in the possession of Plaintiff Gary Zse Kong J.D. and located on his computer and printed at his office in the Law Offices of Gary Park. Magistrate Judge Peggy Kuo directed plaintiff to file an amended complaint and directed plaintiff Gary Sze Kong to preserve all computer and other records which may still be at the Law Offices of Gary Park. Defendants were also granted leave to subpoena such records if they are no longer under the control of Plaintiff Kong. On June 30th, Plaintiff amended their complaint inter alia admitting that the company filed the registration statement with the SEC. On August 7, 2017, Corporate Counsel requested leave for a pre-motion conference to move to dismiss the matter.

On March 27, 2018, a Subpoena has been issued and served upon the Law Offices of Gary S. Park P.C. On April 3, 2018 counsel for Plaintiffs withdrew and were replaced by Mr. Sang Joon Sim, Esq. of Sim & Record, LLP which shares an address with Mr. Park's law offices.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock was quoted on the OTC Bulletin Board from July 30, 2009 to March 26, 2010 under the symbol BIBB. Prior to September 2010, there was no active market for our common stock. Our common stock is currently quoted on the OTCQB under the trading symbol WARM.

The following table sets forth the high and low sales prices as reported on the OTCQB. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Quarter Ended		High		Low
March 31, 2017	\$	0.15	\$	0.08
June 30, 2017	\$	0.26	\$	0.07
September 30, 2017	\$	0.09	\$	0.05
December 31, 2017	\$	0.09	\$	0.06
March 31, 2016	\$	0.53	\$	0.16
June 30, 2016	\$	0.30	\$	0.08
September 30, 2016	\$	0.18	\$	0.02
December 31, 2016	\$	0.17	\$	0.09

The last reported sales price of our common stock on the OTCQB on April 10, 2018, was \$0.08.

As of April 10, 2018, there were 215 stockholders of record of our common stock..

Dividend Policy

The Company has never paid dividends on its common stock and does not anticipate that it will pay dividends in the foreseeable future. It intends to use any future earnings for the expansion of its business. Any future determination of applicable dividends will be made at the discretion of the board of directors and will depend on the results of operations, financial condition, capital requirements and other factors deemed relevant.

Table of Contents**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information regarding our equity compensation plans as of December 31, 2017:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	--	--	--
Equity compensation plans not approved by security holders	12,060,714(1)	\$ 0.74	--

(1) Represents (i) options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Timothy Hassett and Mark Hodowanec; (ii) options to purchase 2,000,000 shares of common stock at \$2.00 per share to Judson Bibb; and (iii) warrants to purchase 8,060,714 shares of common stock as set forth in Note 7 to the financial statements under Item 8 of this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

On February 25, 2016, we issued 467,740 shares of our common stock upon conversion of principal and interest of convertible debt of \$91,667.

On March 2, 2016, we issued 700,000 shares of common stock to Spirit Bear upon conversion of 700 shares of our Series A preferred stock.

On March 31, 2016, we issued three-year warrants to purchase 60,000 shares of our common stock at an exercise price of \$1.00 per share to PCG under the independent contractor agreement with the Company for the management of UPT. The warrants may be exercised on a cashless basis.

On April 5, 2016, we issued 50,000 shares of our common stock 50,000 upon conversion of principal and interest of convertible debt of \$7,578.90.

On April 12, 2016, we sold a total of 125,000 shares of common stock and a five-year warrant to purchase 62,5000 shares of our common stock at an exercise price of \$0.32 per share, to an accredited investor in a private offering. The warrant may be exercised on a cashless basis.

On April 14, 2016, we issued 60,000 shares of our common stock upon conversion of principal and interest of convertible debt of \$9,279.90.

On April 21, 2016, we issued 100,000 shares of our common stock upon conversion of principal and interest of convertible debt of \$13,204.80.

On April 29, 2016, we issued 200,000 shares of our common stock upon conversion of principal and interest of convertible debt of \$23,486.40.

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On May 5, 2016, we issued 200,000 shares of our common stock upon conversion of principal and interest of convertible debt of \$21,092.40.

On May 9, 2016, we issued 25,000 shares of our common stock in exchange for corporate communications services provided to the Company.

On May 10, 2016, we issued 161,429 shares of our common stock upon conversion of principal and interest of convertible debt of \$17,024.63.

On May 18, 2016, we issued 300,000 shares of our common stock upon conversion of principal and interest of convertible debt of \$29,937.60.

On May 25, 2016, we sold a total of 400,000 shares of common stock and a five-year warrant to purchase 200,000 shares of our common stock at an exercise price of \$0.32 per share, to three accredited investors in a private offering. The warrant may be exercised on a cashless basis.

On May 25, 2016, we sold 125,000 shares of common stock and a five-year warrant to purchase 62,500 shares of our common stock at an exercise price of \$0.34 per share, to an accredited investor in a private offering. The warrant may be exercised on a cashless basis.

On June 2, 2016, we issued 100,553 shares of common stock upon conversion of principal and interest of convertible debt of \$10,000.

On June 3, 2016, we issued 250,000 shares of common stock upon conversion of principal and interest of convertible debt of \$23,136.75.

On June 7, 2016, we sold a total of 238,095 shares of common stock and a three year warrant to purchase 119,048 of our common stock at an exercise price of \$0.297 to an accredited investor in a private offering. The warrant may be exercised on a cashless basis.

On June 10, 2016, we issued 471,549 shares of our common stock upon conversion of principal and interest of convertible debt of \$50,550.

On June 10, 2016, we issued 486,681 shares of our common stock upon conversion of principal and interest of convertible debt of \$50,000.

On June 13, 2016, we issued 199,800 shares of our common stock upon conversion of principal and interest of convertible debt of \$19,250.

On June 21, 2016, we issued 99,450 shares of our common stock upon conversion of principal and interest of convertible debt of \$7,405.64.

On June 21, 2016, we sold at total of 95,238 shares of our common stock and a three year warrant to purchase 47,619 of our common stock at an exercise price of \$0.242 to an accredited investor in a private offering. The warrant may be exercised on a cashless basis.

On June 21, 2016, we issued 647,959 shares of our common stock upon conversion of principal and interest of convertible debt of \$50,800.

On June 24, 2016, we issued to our Chief Executive Officer, Timothy Hassett, 625,000 shares of our common stock and a five-year warrant to purchase 625,000 shares of our common stock at an exercise price of \$0.22 for accrued salary of \$100,000. The warrant may be exercised on a cashless basis.

On June 24, 2016, we issued to our former president, Theodore Banzhaf, 500,000 shares of our common stock and a five year warrant to purchase 500,000 shares of our common stock at an exercise price of \$0.22 per share, for accrued salary of \$80,000. The warrant may be exercised on a cashless basis. In connection with Mr. Banzhaf's resignation on October 1, 2016, he waived his rights to such warrants.

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On June 24, 2016, we issued to Summit Management Consulting, Inc., a company owned by Quentin Ponder, our Chief Financial Officer, 400,000 shares of our common stock and a five-year warrant to purchase 400,000 shares of our common stock at an exercise price of \$0.22 for accrued consulting fees of \$64,000. The warrant may be exercised on a cashless basis.

On June 24, 2016, we issued to our vice president, Judson Bibb, 750,000 shares of our common stock and a five year warrant to purchase 750,000 shares of our common stock at an exercise price of \$0.22 per share, in payment for loans in the amount of \$22,910 and accrued salary of \$97,090. The warrant may be exercised on a cashless basis.

On June 24, 2016, for consideration of \$16,000, we sold to a director, Richard Schul, 100,000 shares of our common stock and a five year warrant to purchase 100,000 shares of our common stock at an exercise price of \$0.22. The warrant may be exercised on a cashless basis.

On June 24, 2016, for consideration of \$160,000, we sold to a director, Daniel Ustian, 1,000,000 shares of our common stock and a five year warrant to purchase 1,000,000 shares of our common stock at a an exercise price of \$0.22. The warrant may be exercised on a cashless basis.

On June 29, 2016, we issued 842,409 shares of our common stock upon conversion of principal and interest of convertible debt of \$51,050.

On June 29, 2016, we issued 855,432 shares of our common stock upon conversion of principal and interest of convertible debt of \$50,000.

On July 8, 2016, we issued 194,250 shares of our common stock upon conversion of principal and interest of convertible debt of \$10,000.

On July 11, 2016, we issued 100,000 conversion shares of our common stock upon conversion of 2 shares of our preferred stock to Spirit Bear, which transaction was subsequently rescinded.

On July 12, 2016, we issued 1,094,350 shares of our common stock upon conversion of principal and interest of convertible debt of \$51,325.00.

On July 19, 2016, we issued 1,284,687 shares of our common stock upon conversion of principal and interest of convertible debt of \$50,000.

On July 20, 2016, we issued 405,036 shares of our common stock upon conversion of principal and interest of convertible debt of \$15,000.

On July 20, 2016, we issued 2,540,640 shares of our common stock upon conversion of principal and interest of convertible debt of \$103,150.

On July 26, 2016, we issued 675,060 shares of our common stock upon conversion of principal and interest of convertible debt of \$25,000.

On August 5, 2016, we issued 1,479,728 shares of our common stock upon conversion of principal and interest of convertible debt of \$50,000.

On August 8, 2016, we issued 2,179,818 shares of our common stock upon conversion of principal and interest of convertible debt of \$78,037.50.

On August 9, 2016, we issued 498,422 shares of our common stock upon conversion of principal and interest of convertible debt of \$15,000.

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On August 12, 2016, we sold a total of 909,090 shares of Series B Stock and a five year warrant to purchase 909,090 shares of our common stock at an exercise price of \$0.07 to an accredited investor in a private offering for consideration of \$100,000. Each share of Series B Stock may be converted into common stock on a one-to-one basis.

On August 12, 2016, we sold at total of 909,090 shares of Series B Stock and a five year warrant to purchase 909,090 shares of our common stock at an exercise price of \$0.07 to an accredited investor in a private offering for consideration of \$100,000. Each share of Series B Stock may be converted into common stock on a one-to-one basis.

On August 12, 2016, for consideration of \$50,000 in services, we sold at total of 909,090 shares of our Series B stock and a five year warrant to purchase 909,090 shares of our common stock at an exercise price of \$0.07 to an accredited investor in a private offering. Each share of Series B Stock may be converted into common stock on a one-to-one basis.

On August 12, 2016, for consideration of \$50,000, we sold 909,090 shares of our Series B Stock and a five year warrant to purchase 909,090 shares of our common stock at a an exercise price of \$0.07 to Daniel Ustian, a director. Each share of Series B Stock may be converted into common stock on a one-to-one basis.

On August 15, 2016, we issued 2,388,988 shares of our common stock upon conversion of principal and interest of convertible debt of \$40,350.

On August 15, 2016, we issued 2,936,798 shares of our common stock upon conversion of principal and interest of convertible debt of \$52,275.

On August 17, 2016, we issued 637,207 shares of our common stock upon conversion of principal and interest of convertible debt of 19,176.74.

On August 26, 2016, the Company issued KHIC, LLC a senior convertible promissory note in the principal amount of \$400,000 convertible into shares of common stock, \$0.001 at a conversion price of \$0.025 per share. The Note bears interest at 3% per annum and matures on August 24, 2018. Interest is payable in semi-annual installments with the first payment due six months from the issuance of the Note. The Note ranks senior to all indebtedness of the Company and its subsidiaries. The Note is convertible at any time into shares of the common stock at a conversion price of 0.025. The Company may prepay all or any part of the Note at any time without any premium or penalty. Under the terms of a note purchase agreement, which provides sales milestone of achieving binding agreements to sell 1,000 of

the Company's Mobile Generation kits, the Company has the right to require KHIC to purchase 4,000,000 shares of common stock at a purchase price of \$0.05 per share and a five-year warrant to purchase 4,000,000 shares of common stock at an exercise price of \$0.06.

On August 30, 2016, we issued 1,953,125 shares of our common stock upon conversion of principal and interest of convertible debt of \$25,000.

On August 30, 2016, we issued 4,313,339 shares of our common stock upon conversion of principal and interest of convertible debt of \$54,650.

On September 30, 2016, the Company issued Gemini Master Fund, Ltd., a secured promissory note in the original principal amount of \$180,000. The Note accrues interest at 5% (18% in the event of an event of default) and matures on June 30, 2017. In connection with the issuance of the note, Gemini was issued 800,000 shares of common stock on November 10, 2016.

On September 30, 2016, the Company issued Black Mountain Equities, Inc. a secured promissory note in the original principal amount of \$45,000. The Note accrues interest at 5% (18% in the event of an event of default) and matures on June 30, 2017. In connection with the issuance of the note, Black Mountain was issued 200,000 shares of common stock on November 10, 2016.

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On October 7, 2016, we issued 4,304,229 shares of our common stock upon partial conversion of a warrant originally issued in connection with \$400,000 of principal and interest of convertible debt.

On October 7, 2016, we issued 5,469,113 shares of our common stock upon partial conversion of a warrant originally issued in connection with \$400,000 of principal and interest of convertible debt

On November 7, 2016, we sold 100,000 shares and a three-year warrant to purchase 100,000 shares of our common stock at an exercise price of \$0.07, to an accredited investor in a private offering. We received \$5,500 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On November 10, 2016, we issued 800,000 shares of common stock to Gemini Master Fund, Ltd and 200,000 shares of common stock to Black Mountain Equities, Inc. in connection with the sale of promissory notes in the principal amounts of \$180,000 and \$45,000, respectively.

On November 14, 2016, pursuant to the issuance of a convertible promissory note for \$110,000, we issued 350,000 shares of common stock as inducement shares to Lucas Hoppel.

On November 30, 2016, we issued 147,393 shares of our common stock upon conversion of principal and interest of convertible debt of \$10,490.73 to Tangiers Global, LLC..

On November 7, 2016, we issued 300,000 shares of our common stock to Spirit Bear upon conversion of 6 shares of our Series A convertible preferred stock ("Series A Stock")

On December 23, 2016, we sold 650,000 shares of our common stock and a five-year warrant to purchase 650,000 shares of our common stock at an exercise price of \$0.12 and a five-year warrant to purchase 650,000 shares of our common stock at an exercise price of \$0.15 to an accredited investor in a private offering. We received \$65,000 as consideration for the sale.

On December 30, 2016, we issued 50,000 shares of our common stock and a five-year warrant to purchase 50,000 shares of our common stock at an exercise price of \$0.16 to Christian Pacetti in exchange for partial payment of an outstanding invoice for services provided to the Company.

On December 30, 2016, we issued a three- year warrant to purchase 100,000 shares of our common stock at an exercise price of \$0.01 per share to a consultant for accounting services provided to the Company.

On January 17, 2017, we issued 800,000 shares of common stock to Sprit Bear upon the conversion of 16 shares of our Series A Stock.

On February 8, 2017, we issued 34,076 shares of our common stock upon conversion of interest on convertible debt of \$54,650 by Tangiers Global, LLC.

On February 9, 2017, pursuant to the issuance of a convertible promissory note for \$110,000, we issued 200,000 shares of common stock as inducement shares to Lucas Hoppel.

On February 16, 2017, we issued 1,250,000 shares of our common stock to Bellridge Capital LP as a commitment fee for a \$5,000,000 Equity Line of Credit.

On March 14, 2017, we issued 200,000 shares of our common stock to Bellridge Capital LP as a commitment fee for a 5% Convertible Note.

On March 20, 2017, we issued 750,000 shares of common stock to Spirit Bear upon the conversion of 15 shares of our Series A Stock .

On April 6, 2017, we issued 600,000 shares of common stock to Sprit Bear upon the conversion of 12 shares of our Series A Stock.

On April 6, 2017, pursuant to the issuance of a convertible promissory note for \$165,000, we issued 300,000 shares of common stock as inducement shares to Lucas Hoppel.

On April 18, 2017, we issued 1,132,000 shares of our common stock upon partial conversion of \$28,300 on convertible debt of \$368,703 by KHIC, LLC.

On April 25, 2017, we issued 1,000,000 shares of common stock to Spirit Bear upon conversion of 20 shares of our Series A Stock.

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On May 1, 2017, we issued 1,543,305 shares of our common stock to Uptick Capital, LLC pursuant to a consulting agreement for business development services and strategic introductions to the financial community provided to our company.

On May 3, 2017, we issued an aggregate of 1,411,426 shares of common stock to Bellridge upon the exercise of the Notes.

On May 8, 2017, we issued 909,090 shares of common stock to Inverom Corporation upon the conversion of 909,090 shares of 909,090 shares of Series B stock.

On May 31, 2017, we issued 500,000 shares of common stock to Lucas Hopple upon partial conversion of \$35,000 of convertible debt.

On June 7, 2017, we issued KHIC 4,000,000 shares of common stock and a five-year warrant to purchase 4,000,000 shares of common stock at an exercise price of \$0.06 per share in exchange for \$200,000, pursuant to KHIC's call right which it exercised on June 6, 2017, under its securities purchase agreement with the Company.

On June 9, 2017, we issued 500,000 shares of common stock upon partial conversion of \$25,000 on convertible debt of \$115,500 by Lucas Hoppel.

On June 13, 2017, we issued 120,000 shares of common stock to Elite Bay LLC in settlement of an outstanding debt.

On June 15, 2017, we sold a total of 1,000,000 shares of common stock and a three-year warrant to purchase 1,000,000 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$55,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On June 16, 2017, we issued 600,000 shares of our common stock upon partial conversion of \$30,000 on convertible debt of \$115,500 by Lucas Hoppel

On June 29, 2017, we issued 510,000 shares of our common stock upon final conversion of \$25,500 on convertible debt of \$115,500 by Lucas Hoppel.

On June 30, 2017, we sold a total of 500,000 shares of common stock and a three-year warrant to purchase 500,000 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$27,500 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On July 3, 2017, the Company issued Cornerstone, a three-year warrant to purchase 100,000 shares of common stock at an exercise price of \$0.07, in lieu of cash payments due under the Cornerstone Retainer Agreement for the months of May and June 2017. The warrant includes a provision for cashless exercise.

On July 6, 2017, we sold a total of 545,455 shares of common stock and a three-year warrant to purchase 545,455 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$30,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On July 10, 2017, we sold a total of 2,000,000 shares of common stock and a five-year warrant to purchase 2,000,000 shares of our common stock at an exercise price of \$0.06 per share, to Spirit Bear, an accredited investor in a private offering. We received \$100,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

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On July 21, 2017, we issued 67,176 shares of common stock to address a shortfall in the commitment fee of 1,250,000 shares issued to Bellridge Capital, LP on February 16, 2017 in connection with a \$5 million equity line of credit provided by Bellridge.

On July 21, 2017, we sold a total of 285,714 shares of common stock and a five-year warrant to purchase 285,714 shares of our common stock at an exercise price of \$0.10 per share, to Timothy Hassett in exchange for \$20,000 in accrued salary. The warrant may be exercised on a cashless basis.

On July 21, 2017, we sold a total of 1,000,000 shares of common stock and a five-year warrant to purchase 1,000,000 shares of our common stock at an exercise price of \$0.10 per share, to Summit Management Consulting in exchange for \$70,000 in accrued salary. The warrant may be exercised on a cashless basis.

On July 21, 2017, we sold a total of 1,400,000 shares of common stock and a five-year warrant to purchase 1,400,000 shares of our common stock at an exercise price of \$0.10 per share, to Judson Bibb in exchange for \$98,000 in accrued salary. The warrant may be exercised on a cashless basis.

On July 25, 2017, we sold a total of 545,455 shares of common stock and a three-year warrant to purchase 545,455 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$30,000 as consideration for the sale of such securities. The warrant may be exercised on a non-cashless basis.

On July 26, 2017, we sold a total of 500,000 shares of common stock and a three-year warrant to purchase 500,000 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$27,500 as consideration for the sale of such securities. The warrant may be exercised on a non-cashless basis.

On July 27, 2017, we issued 309,090 shares of our common stock and a five- year warrant to purchase 309,090 shares of our common stock at an exercise price of \$0.07 for consideration of \$17,000 to Daniel Ustian. The warrant expires on October 31, 2021 and may be exercised on a cashless basis.

On July 27, 2017, we issued, 309,090 shares of our common stock and a five-year warrant to purchase 309,090 shares of our common stock at an exercise price of \$0.07 for consideration of \$17,000 to Eric Brown. The warrant expires on October 31, 2021 and may be exercised on a cashless basis.

On July 27, 2017, we issued, 309,090 shares of our common stock and a five-year warrant to purchase 309,090 shares of our common stock at an exercise price of \$0.07 for consideration of \$17,000 to Christopher Jones. The warrant expires on October 31, 2021 and may be exercised on a cashless basis.

On August 15, 2017, we issued 186,643 shares of our common stock to Lucas Hoppel pursuant to the terms of a securities purchase agreement entered into on February 7, 2017, which required the issuance of additional inducement shares if the price of our common stock decreased six months from the date of the agreement so that the aggregate value of the shares issued on the closing date would equal the aggregate value of the shares after six months.

On August 24, 2017, we sold a total of 909,090 shares of our common stock and a three-year warrant to purchase 909,091 shares of our common stock at an exercise price of \$0.10 per share to an accredited investor in a private offering. We received \$50,000 as consideration for the sale of such securities.

On August 28, 2017, we issued 250,000 shares of our common stock upon partial conversion of \$12,500 on convertible debt of \$113,300 by Lucas Hoppel.

On August 28, 2017, we sold a total of 1,000,000 shares of common stock and a five-year warrant to purchase 1,000,000 shares of our common stock at an exercise price of \$0.0725 per share, to an accredited investor in a private offering. We received \$50,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

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On September 5, 2017, we sold a total of 363,636 shares of common stock and a three-year warrant to purchase 363,636 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$20,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On September 7, 2017, we sold a total of 200,000 shares of common stock and a three-year warrant to purchase 200,000 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$11,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On September 10, 2017, we sold a total of 363,636 shares of common stock and a three-year warrant to purchase 363,636 shares of our common stock at an exercise price of \$0.10 per share, to an accredited investor in a private offering. We received \$20,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On September 13, 2017, we sold 3,571,429 shares of our common stock and a five-year warrant to purchase 1,071,429 shares of our common stock at an exercise price of \$0.075 per share to an accredited investor in a private offering. We received \$250,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On September 13, 2017, we sold a total of 1,428,571 shares of our common stock and a five-year warrant to purchase 428,571 warrants shares of our common stock at an exercise prices of \$0.075 per share to an accredited investor in a private offering. We received \$100,000 as consideration for the sale of such securities. The warrant may be exercised on a cashless basis.

On September 14, 2017, we issued 300,000 shares of our common stock upon partial conversion of \$15,000 on convertible debt of \$113,300 by Lucas Hoppel

On September 14, 2017, we issued 1,38UPT shares of common stock to Bellridge Capital, LP upon partial conversion of convertible debt of \$80,670 by Bellridge

On September 17, 2017, we issued 1,000,000 shares of common stock to Spirit Bear upon conversion of 20 shares of Series A Stock.

On September 19, 2017, we issued 400,000 shares of our common stock upon partial conversion of \$20,000 on convertible debt of \$113,300 by Lucas Hoppel

On September 20, 2017, we issued 500,000 shares of our common stock upon partial conversion of \$25,000 of convertible debt of \$113,300 by Lucas Hoppel

On September 26, 2017, we issued 434,826 shares of common stock upon final conversion of \$19,297 of convertible debt of \$80,670 by Bellridge Capital, LP.

On September 27, 2017, we issued 816,000 shares of our common stock upon conversion of \$40,800 of convertible debt of \$113,300 by Lucas Hoppel.

On October 11, 2017, we issued 377,097 shares of our common stock to Lucas Hoppel pursuant to the terms of a securities purchase agreement entered into on April 5, 2017, which required the issuance of additional inducement shares if the price of our common stock decreased six months from the date of the agreement so that the aggregate value of the shares issued on the closing date would equal the aggregate value of the shares after six months.

On October 25, 2017, we issued 500,000 shares of our common stock upon partial conversion of \$25,000 on convertible debt of \$165,000 by Lucas Hoppel.

On October 31, 2017, we issued 750,000 shares of our common stock upon partial conversion of \$37,500 on convertible debt of \$165,000 by Lucas Hoppel.

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On November 3, 2017, we issued 750,000 shares of our common stock upon partial conversion of \$37,500 on convertible debt of \$165,000 by Lucas Hoppel.

On November 8, 2017, pursuant to the issuance of a Securities Exchange Agreement and General Release signed with Black Mountain Equities, Inc on November 1, 2017, we issued 959,914 shares of common stock as payment of principal and interest on promissory note in the principal amount of \$45,000 issued on February 13, 2017.

On December 7, 2017, we issued 500,000 shares of our common stock upon partial conversion of \$25,000 on convertible debt of \$226,325 by Lucas Hoppel.

On November 8, 2017, we issued 500,000 shares of our common stock upon partial conversion of \$25,000 on convertible debt of \$141,625 by Lucas Hoppel.

On November 21, 2017, pursuant to the issuance of a convertible promissory note for \$165,000 on August 25, 2017, we issued 600,000 shares of common stock as inducement shares to Lucas Hoppel.

On November 22, 2017, we issued 649,000 shares of our common stock upon final conversion of \$32,450 on convertible debt of \$165,000 by Lucas Hoppel.

On November 22, 2017, pursuant to a convertible promissory note for \$78,750 issued on March 14, 2017, we issued 431,632 shares of common stock to Bellridge as a penalty for the Company's failure to timely register securities owned by BellRidge.

On December 7, 2017, we issued 500,000 shares of our common stock upon partial conversion of \$25,000 on convertible debt of \$226,325 by Lucas Hoppel.

On December 12, 2017, we issued 750,0000 shares of our common stock upon partial conversion of \$37,500 on convertible debt of \$226,325 by Lucas Hoppel.

On December 14, 2017, we sold a total of 1,250,000 shares of common stock and a three-year warrant to purchase 1,250,000 shares of our common stock at an exercise price of \$0.12 per share to an accredited investor's living trust in a private offering. We received \$100,000 as consideration for the sale of such securities. The warrant may be exercised on a non-cashless basis.

On December 14, 2017, we sold a total of 1,250,000 shares of common stock and a three year warrant to purchase 1,250,000 shares of our common stock at an exercise price of \$0.12 per share to an accredited investor's living trust in a private offering. . We received \$100,000 as consideration for the sale of such securities. The warrant may be exercised on a non-cashless basis.

On January 2, 2018, we issued 500,000 shares of our common stock upon the partial conversion of \$25,000 on convertible debt of \$226,325 by Lucas Hoppel.

On January 5, 2018, we issued 1,500,000 shares of our common stock upon the partial conversion of \$60,000 on convertible debt of \$226,325 by Lucas Hoppel.

On January 8, 2018, we issued 1,000,000 shares of our common stock upon partial conversion of \$40,000 on convertible debt of \$141,625 by Lucas Hoppel.

On February 20, 2018, we issued 1,500,000 shares of our common stock upon the partial conversion of \$37,500 on convertible debt of \$226,325 by Lucas Hoppel.

On February 21, 2018, we issued 1,500,000 shares of our common stock upon the partial conversion of \$37,500 on convertible debt of \$226,325 by Lucas Hoppel.

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On March 2, 2018, we sold a total of 200,000 shares of common stock and a three-year warrant to purchase 100,000 shares of our common stock at an exercise price of \$0.05 per share to an accredited investor in a private offering. We received \$10,000 as consideration for the sale of such securities.

On March 5, 2018, we issued 1,653,000 shares of our common stock upon the final conversion of \$41,325 on convertible debt of \$226,325 by Lucas Hoppel.

On March 5, 2018, we issued 1,565,000 shares of our common stock upon final conversion of \$39,125 on convertible debt of \$141,625 by Lucas Hoppel.

On March 23, 2018, we issued 1,500,000 shares of our common stock upon partial conversion of \$37,500 on convertible debt of \$169,950 by Lucas Hoppel.

Other than the issuances to Monarch Bay, consultants for placement services on January 8, 2016, and issuances to Drexel Hamilton LLC, JFS Investments PR LLC, Garden State Securities, Inc. and Manufacturer Hanover LLC, described above, none of the above issuances involved any underwriters, underwriting discounts or commissions, or any public offering and we believe were exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof and/or Regulation D promulgated thereunder.

Item 6. Selected Financial Data

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

Item 7. 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. 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 SEC.

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. 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, the audited financial statements and related notes elsewhere in this Annual Report on Form 10-K.

We opened our UPT headquarters in Largo, Florida in May 2014. We use the facility to perform research and development for our mobile generator business and it will serve as a sales showroom in the future.

Plan of Operation

We have not generated any revenues to date. We generated our first Mobile Generation order during the quarter ended June 30, 2014, and received a partial deposit in advance of completing the sale. On June 9, 2017, the Company received a purchase order for 10 MG systems from Craftsmen Industries. There is no set timetable associated with the order. A 50% down payment will be received from Craftsmen at the time of customer acceptance.

We generated our third and fourth purchase commitments on November 7 and 27, 2017 from Jatropa, Inc and Veracruz Inc, respectively. Jatropa committed to purchase a total of 234 vehicles and Veracruz committed to purchase a minimum of 25 vehicles (maximum of 50 vehicles). An inspection and performance demonstration is set for late April in Fort Collins, Colorado.

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There can be no assurances that we will be able to fulfill the orders, however, Craftsmen Industries has been selected to produce the first systems due to its engineering capabilities and extensive facilities.

In the meantime, we primarily incur expenses to commercialize our products, which include costs for research and development, professional fees and general operations.

We have developed and intend to commercialize thermal dispersion technologies in various product platforms, a parallel power input gearbox around which we have designed a mobile generator system and an electric load assist technology around which we have designed a vehicle retrofit system. As part of the commercialization efforts, we have applied for and received a trademark for our Totally Enclosed Heat Pipe Cooled technology or 'TEHPC'.

Management is currently negotiating additional non-dilutive funding arrangements to support completion of the initial phases of our business plan, which is to license our thermal technologies and applications; to license or sell a mobile electric power system powered by the Company's proprietary gearing system; and to license its submersible motor dry pit technologies and/or to bring to market its technologies and applications through key distribution partners.

Recent Developments

PGC Investments

On July 1, 2014, we entered into a 36-month independent contractor agreement ("PGC Agreement"), with PGC Investments LLC, a Florida limited liability company ("PGC") to provide the full-time services of Dennis Campbell to manage the day-to-day operations of UPT. Under the PGC Agreement, PGC and Mr. Campbell may not solicit or hire any of the Company's current or former (within one year) employees, consultants or contractors for six months following the termination of the PGC Agreement. Either party to the PGC Agreement may terminate the PGC Agreement upon 30 days' notice to the other party. The Company may immediately terminate the PGC Agreement for "cause" (as defined in the PGC Agreement), subject to a 10-day cure period. Until the Sign-On Warrants become exercisable, upon termination, PGC shall be entitled to a severance payment equal to three months of consulting fees and any earned bonuses, warrants and shares. As consideration for such consulting services, PGC will be paid monthly consulting fees (payable at the end of each month) of \$10,000 during the first year, with a \$10,000 bonus to be paid upon the opening of the Tampa Bay store; \$12,000 in the second year with a \$10,000 bonus payable in the last month of the second year upon satisfactory performance; and \$13,500 in the third year with a \$10,000 bonus payable in the last month of the third year upon satisfactory performance.

PGC will be entitled to (i) a three-year (commencing upon vesting) cashless warrant to purchase an aggregate of 1,530,000 shares of common stock exercisable at \$1.00 per share that vests ratably upon reaching incremental revenues of \$3,000,000 (from MG product sales which result from the efforts of Dennis Campbell and PGC) with a total target revenue of \$100,000,000 and (ii) a three-year cashless warrant to purchase an aggregate of 720,000 shares of common stock at an exercise price of \$1.00 that vests ratably on a quarterly basis; and (iii) 500,000 shares of our common stock that vest upon reaching revenues of \$100,000,000 or upon sale of the Company. PGC will also be entitled to a \$25,000 cash bonus at sales milestones for every \$5,000,000 in new revenue.

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

The Company's current operations include product development with MJ Engineering and Quality Castings and other companies developing products that include the Company's intellectual property.

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Amendment of Series B Preferred Stock

On October 31, 2016, the Company filed an amended and restated Series B Preferred Stock Certificate of Designation (which was originally filed with the Secretary of State of Nevada on April 19, 2016, and amended on August 12, 2016) to designate 3,636,360 shares as Series B Preferred Stock and to provide for supermajority 66 2/3% voting rights for the Series B Preferred Stock. The Series B Preferred Stock will not bear dividends, will not be entitled to receive any distributions in the event of any liquidation, dissolution or winding up of the Company, and will have no other preferences, rights, restrictions, or qualifications, except as otherwise provided by law or the articles of incorporation of the Company. The holders of Class B Stock shall have the right, at such holder's option, at any time to convert such shares into common stock, in a conversion ratio of one share of common stock for each share of Class B Stock. If the common stock trades or is quoted at a price per share in excess of \$2.25 for any twenty consecutive day trading period, (subject to appropriate adjustment for forward or reverse stock splits, recapitalizations, stock dividends and the like), the Series B Stock will automatically be convertible into the common stock in a conversion ratio of one share of common stock for each share of Series B Stock. The Series B Stock may not be sold, hypothecated, transferred, assigned or disposed without the prior written consent of the Company and the holders of the outstanding Series B Preferred Stock.

Bellridge Capital, LP

On December 6, 2016, we entered into an Equity Purchase Agreement and a registration rights agreement (the "Registration Rights Agreement") with Bellridge, pursuant to which Bellridge has agreed to purchase from us up to \$5,000,000 in shares of our common stock, subject to certain limitations from time to time over a 36-month period commencing on the date of effectiveness of a registration statement which provides for the resale of such shares pursuant to the Registration Agreement. The shares issuable to Bellridge under the Equity Purchase Agreement are being offered pursuant to this prospectus. The likelihood that the Company will receive the full amount of proceeds available under the Agreement and its reliance on Bellridge as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. At a price per share of \$0.19, the Company would have to issue 26,315,790 shares to access the full \$5,000,000 available under the agreement with Bellridge. No fees or commissions are required to be paid upon the sale to Bellridge of these shares.

Upon the effectiveness of a registration statement which provides for the resale of the shares, we may direct Bellridge, subject to certain conditions, to purchase a minimum of \$25,000 and a maximum of \$500,000 of shares (each a "Draw Down") that is no more than 300% of the average trading volume of our common stock during the 10-day period immediately prior to the Draw Down. In addition, we may direct Bellridge to purchase shares only if during the fifteen consecutive days following a Draw Down request by us, the common stock equals or exceeds \$0.06 per share. The purchase price of the shares under the Equity Purchase Agreement is the average of the lowest trade price of our common stock during the ten trading days immediately prior to each Draw Down notice plus a 20% discount.

We will control the timing and amount of any sales of common stock to Bellridge but we may not request a Draw Down less than ten business days apart.

The proceeds received by us under the Equity Purchase Agreement are expected to be used for general corporate purposes. The Equity Purchase Agreement limits our sales of shares of common stock to Bellridge to no more than the number of shares that would result in the beneficial ownership by Bellridge, at any single point in time, of more than 4.99% of the then outstanding shares of our common stock. However, the 4.99% limitation may be increased by Bellridge up to 9.99% upon at least 61 days' prior notice to us. These ownership limitations do not prevent Bellridge from selling some of its shares and then receiving additional shares in a Draw Down.

As consideration for its commitment to purchase shares of common stock pursuant to the Equity Purchase Agreement, we agreed to issue to Bellridge 1,317,176 shares of common stock. On October 24, 2017, the Company filed an amendment to a Form S-1 Registration Statement with the Securities and Exchange Commission to register 50,000,000 shares of common stock which may be issued pursuant to purchases of shares made under the Equity Purchase Agreement.

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Amended Articles of Incorporation

We filed an amendment to our Articles of Incorporation with the Secretary of State of the State of Nevada increasing our authorized shares of common stock, from 140,000,000 shares to 350,000,000 shares, effective March 22, 2017. We currently believe that the increase in authorized share capital eliminates the need for any other type of corporate action such as a reverse stock split.

Craftsmen Industries, Inc.

As a consequence of the first public demonstration of the MG 30 kilovolt amp (“kVA”) system at the North America International Auto Show in Detroit in January 2017, the Company entered into an agreement in principle, dated February 21, 2017, with Craftsmen Industries, Inc. (“Craftsmen”), a company engaged in the design, engineering and production of mobile marketing vehicles, experiential marketing platforms and industrial mobile solutions.

On April 25, 2017, we delivered to Craftsmen Industries, a Class III Vehicle (Ford F-350 dually) up-fitted with a production-ready MG 30 kVA (single phase/three phase) system.

Subsequently, Craftsmen invited the Company to demonstrate its mobile generation technology and the potential benefits for Craftsmen products at Craftsmen’s 35th Anniversary Party on April 27, 2017. Over 100 current and prospective Craftsmen customers were in the audience for the demonstrations.

On June 9, 2017, the Company received a purchase order for 10 MG systems from Craftsmen, each in the amount of \$29,500 with 50% paid as a down payment at the time of customer acceptance.

Furthermore, Craftsmen has been chosen to produce the MG systems for the company’s initial orders from Jatropa and Veracruz (See below).

Veteran Technology Group

On May 26, 2017, the Company entered into a five-year strategic alliance agreement with Veteran Technology Group LLC (“Vet Tech”), a developer of artificial intelligence (“AI”) software for advanced troubleshooting of complex systems. The agreement automatically renews for successive one-year terms unless terminated by either party 30 days prior to its expiration. The agreement may be earlier terminated by either party upon 60 days prior notice. The parties agreed not to solicit the other parties’ employees or contractors for six months after the expiration or termination of the agreement.

The agreement provides that the Company market and provide its MG product and services to customers referred by Vet Tech and Vet Tech will market and provide GAIT software and other AI services for clients referred by the Company.

Cornerstone Growth Partners

On June 5, 2017, the Company entered into a Master Retainer Agreement (“Cornerstone Retainer Agreement”) with Cornerstone Growth Advisors (“Cornerstone”) to retain the advisory and business development services in the commercial vehicle industry of its managing partner, David Gerrard. The term of the Agreement is until April 20, 2019 and may be terminated by either party upon three months prior notice. The Company will pay Cornerstone \$4,000 per month for its services. In addition, Cornerstone is entitled to a commission of 5% of gross revenues on all new business generated by it for the Company, payable monthly and continuing for five years. Under the Cornerstone Retainer Agreement, Cornerstone is also entitled to the award of from 5,000 to 20,000 warrants upon the acquisition of certain customers. On July 3, 2017, the Company issued Cornerstone, a three-year warrant to purchase 100,000 shares of Common Stock at an exercise price of \$0.07, in lieu of cash payments due under the Agreement for the months of May and June 2017. The warrant includes a provision for cashless exercise.

We believe that Mr. Gerrard will help position the Company, and nurture client relationships to help secure new customers and manage sales with Fortune 500 companies for Class 3 to 7 work trucks with applications ranging from disaster relief units, mobile kitchens and command centers, utility and telecom vehicles, digger derricks, crane trucks, bucket trucks, refrigerated trucks, electric vehicle chargers and mobile power platforms.

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National Union of Jatropha Producers

In November 2017, the Company received a purchase commitment for 234 MG systems from the National Union of Producers of Jatropha in Mexico (Jatropha).

Jatropha has established a center for processing oil from Jatropha seeds for biofuel production. Through their union of producers, Jatropha plans to introduce the MG and promote the product to their supplier network.

The purchase commitment stipulates that CoolTech will furnish Jatropha with an MG80 retro-fitted onto a Ford F-350 truck within 60 business days. To ensure the system is optimized to meet Jatropha's needs, CoolTech set the terms of the agreement to allow both teams to gather data and provide performance feedback another 30 to 60 days. Upon completion of this period, Jatropha will release the balance of the order for 233 units and production should start no later than the second quarter of 2018. Payment terms require 50% down and 50% at time of shipment, FOB (Freight on Board) from Cool Technologies' dock.

On February 6th, Jatropha signed an agreement to amend their previous purchase agreement. It eliminates the 60 business day deadline for the truck to be shipped to Mexico. Under the new agreement, representatives from Jatropha will come to Colorado for an inspection and live performance demonstration. If approved, the generator-equipped trucks will go into production as specified in the original purchase agreement.

The value of the purchase commitment is expected to be between \$17,000,000 and \$22,000,000. On April 9, 2018, Jatropha executed a purchase order with the Company for 10 Ford F-350s with MG80 kVA systems installed. The value of the initial order is in excess of one million dollars.

National Union of Producers in Mexico for the state of Veracruz

In December 2017, the Company received a purchase commitment for 24 to 50 MG units from the National Union of Producers in Mexico for the state of Veracruz. Depending on the respective numbers of MG55 and MG80 kVA systems ordered, the company expects the value of the commitment to range between \$1,200,000 and \$3,900,000.

The union represents farmers who grow labor and energy intensive crops such as sugar cane, tobacco, bananas, coffee, rice and vanilla. It expects that the MG systems will increase yields, exports and incomes for its members and their communities.

According to the contract, the company will deliver an MG 80 retro-fitted onto a Ford F-350 truck within 60 business days. Then, to ensure the system fully addresses the application requirements, CoolTech, as a best practice of Six Sigma quality, will gather data and performance feedback. When CoolTech is satisfied that optimal performance has been achieved, the union will release the balance of the order and production begins.

On February 23rd, Veracruz signed an agreement to amend their previous purchase agreement. It eliminates the 60 business day deadline for the truck to be shipped to Mexico. Under the new agreement, representatives from Veracruz will come to Colorado for an inspection and live performance demonstration. If approved, the generator-equipped trucks will go into production as specified in the original purchase agreement.

Payment terms require 50% down and 50% at time of shipment, each payable with a bank letter of credit. Product delivery will be considered FOB (Freight on Board) from Cool Technologies' shipping dock.

The value of the purchase commitment is expected to commitment to range between \$1.2M and \$3.9M USD.

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Panasonic System Communications Company of North America.

In January 2018, the Company announced that its Mobile Generation systems will incorporate Panasonic Toughpad tablets to run CoolTech's software.

The association between the two companies dates back to April 2017 when Cool Technologies demonstrated its Mobile Generation (MG) system at Craftsman Industries in St. Louis. In attendance was the Executive Director-Product Planning Strategy and Innovation, Silicon Valley Center for Panasonic Corporation of North America. He received a demonstration of the MG technology as well as an overview of CoolTech's thermal dispersion technologies. That led to several conversations and meetings regarding the ways in which the two companies could pursue joint initiatives and opportunities.

The first initiative resulted in the resulted in CoolTech's use of the Panasonic Toughpad tablet to provide a rugged touchscreen interface for field technicians to control and calibrate the Mobile Generation systems. The Toughpad will be deployed in both the trucks' cabs and in the control panel box on the side of the vehicles.

Going Concern

As a result of our financial condition, noted in our financial statements for the years ended December 31, 2016 and 2017, we believe that it is necessary to include an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. To continue as a going concern, we must raise additional capital to begin to generate revenue from our two product lines, so that we can fund our operations from our sales and licensing. If we are not able to do this, we may not be able to continue as an operating company.

Results of Operations

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

Year ended December 31,

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	2017	2016	Change	%
Revenues	\$ --	\$ --	N/A	N/A
Operating expenses				
Payroll and related expenses	665,807	553,199	112,608	20.4%
Consulting	810,924	2,081,714	(1,270,790)	(61.0)%
Professional fees	228,829	332,767	(103,938)	(31.2)%
Research and development	348,424	251,724	96,700	38.4%
General and administrative	324,977	738,816	(413,839)	(56.0)%
Total operating expenses	2,378,961	3,958,220	(1,579,259)	(39.9)%
Other income and (expense)	(2,692,256)	3,102,334	(5,794,590)	(18.7)%
Net loss	(5,071,217)	(855,886)	4,215,331	492.5%
Less: Non controlling interest	(11,891)	(11,717)	(174)	1.5%
Net loss to shareholders	\$ (5,059,326)	\$ (844,169)	4,215,157	499.3%

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Revenues

During the years ended December 31, 2017 and 2016, and since inception, we have not generated any revenues. We generated our first Mobile Generation order during the quarter ended June 30, 2014, and received a partial deposit in advance of completing the sale with companies controlled by the individual who is a 5% owner of UPT and a shareholder of our company.

Operating Expenses

Operating expenses decreased during the year ended December 31, 2017 compared to the year ended December 31, 2016, due primarily to a reduction in consulting costs which accounts for \$1,270,790 of the decrease. During the year ended December 31, 2017, payroll and related expenses increased by \$112,608 primarily due to the issuance of \$50,000 bonuses to the CEO and CTO for each new patent granted. The remaining decrease was due primarily to a decrease in general and administrative costs of \$413,839 and decrease in professional fees of \$103,938, necessitated by limited funds.

Other Income and Expense

Interest expenses during the years ended December 31, 2017 and 2016 related primarily to our debt. The change in fair value of derivative liability reflects the change in fair value of the conversion features embedded in the convertible debt agreements entered into in May 2016, December 2016 and March 2017 as well as warrants issued with the December 2015 Convertible Note, and also includes the change in fair value of common share equivalents that were previously reclassified to derivative liability as a result of insufficient authorized but unissued shares.

The legal settlement expense in 2016 represents the difference between the value of the original warrants and the replacement warrants issued to Spirit Bear under the Waiver of Performance and Second Amendment to Settlement Agreement with Spirit Bear.

Net Loss and Noncontrolling Interest

Since we have incurred losses since inception, we have not recorded any income tax expense or benefit. Accordingly, our net loss is driven by our operating and other expenses. Noncontrolling interest represents the 5% third-party ownership in UPT, which is subtracted to calculate Net loss to shareholders.

Liquidity and Capital Resources

We have historically met our liquidity requirements primarily through the public sale and private placement of equity securities, debt financing, and exchanging common stock warrants and options for professional and consulting services. At December 31, 2017, we had cash and cash equivalents of \$173,343.

Working capital is the amount by which current assets exceed current liabilities. We had negative working capital of \$3,154,879 and \$8,257,987 at December 31, 2017 and 2016, respectively. The decrease in working capital was due to a large decrease in derivative liability and smaller decreases in accounts payable and accrued payroll which offset an increase in accrued liabilities – related party.

August 2016 Convertible Note – In August 2016, the Company entered into a senior convertible note agreement. We received \$400,000, bearing interest at 3%, with principal and interest payable on August 24, 2018. In addition, the Company received the right to require the buyer to purchase from the company four million restricted shares of common stock at a purchase price of \$0.05 per share and a warrant to purchase four million shares of common stock with an exercise price of \$0.06 per share. At the same time, the Company granted the buyer the right to require the company to sell to the buyer four million restricted shares of common stock at a purchase price of \$0.05 per share and a warrant to purchase four million shares of common stock with an exercise price of \$0.06 per share. In the event of default, the interest rate will be 18% per annum, require the Company to (i) redeem all or any portion of the note at a premium of 150% or (ii) convert any portion of this note then held by noteholder into shares of common stock at the conversion price of \$0.025, equal to a number of shares of common stock equal to the principal amount outstanding on the note (divided by 0.025) and multiplied by the premium of 150%.

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The note may be converted at any time into shares of the common stock at the conversion price pursuant to the terms of the note. The buyer may not, however, convert more than 50% of the note's purchase price prior to September 30, 2016. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet.

September 2016 Promissory Notes – In September 2016, we sold two promissory notes in the aggregate principal amount of \$225,000. The notes totaled \$180,000 and \$45,000, respectively. Each note bears the same terms: 5% interest per annum with a maturity date of June 30, 2017. In the event of a default, the interest rate will increase to 18%.

On June 30, 2017, the two promissory note holders signed an extension agreement that extended the maturity date of the promissory notes to September 30, 2017. The terms and conditions remain the same.

December 2016 Equity Line of Credit – On December 6, 2016, we entered into a securities purchase agreement and a registration rights agreement with Bellridge Capital, LP, pursuant to which Bellridge has agreed to purchase from us up to \$5,000,000 in shares of our common stock, subject to certain limitations including an effective registration statement registering the shares issuable to Bellridge under the line of credit, which registration statement has not yet been declared effective by the Securities and Exchange Commission, from time to time over a 36 month period commencing on the date of effectiveness of the registration statement which provides for the resale of such shares pursuant to the Registration Rights Agreement. We may direct Bellridge, at our sole discretion and subject to certain conditions, to purchase a minimum of \$25,000 and a maximum of \$500,000 of shares that is no more than 300% of the average trading volume of our common stock during the 10 day period immediately prior to the Draw Down. In addition, we may direct Bellridge to purchase shares only if during the fifteen consecutive days following a Draw Down request by us, the common stock equals or exceeds \$0.06 per share. We will control the timing and amount of any sales of common stock to Bellridge but we may not request a Draw Down less than ten business days apart. The proceeds received by us are expected to be used for general corporate purposes. The securities purchase agreement limits our sales of shares of common stock to Bellridge to no more than the number of shares that would result in the beneficial ownership by Bellridge, at any single point in time, of more than 4.99% of the then outstanding shares of our common stock. However, the 4.99% limitation may be increased by Bellridge up to 9.99% upon at least 61 days' prior notice to us. As consideration for its commitment to purchase shares of common stock pursuant to the securities purchase agreement, we issued to Bellridge 1,250,000 shares of common stock on February 16, 2017. On October 24, 2017, the Company filed an amendment to a Form S-1 Registration Statement with the Securities and Exchange Commission to register 50,000,000 shares of common stock which may be issued pursuant to purchases of shares made under the Equity Line of Credit.

February Convertible Note – On February 7, 2017, the Company entered into a convertible note agreement. We issued 200,000 inducement shares of restricted common stock and received \$100,000, with an original issue discount of \$10,000 and a one time interest charge of 3% or \$3,300, for a total amount of \$113,300 due on September 7, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common

stock at \$0.08 per share. In the event of default, the outstanding balance will increase by 25% and a daily penalty of \$100 will accrue until the default is remedied. Shares reserved for future conversions must equal to at least 100% of the full number of shares of common stock issuable upon conversion of all outstanding amounts under this note.

On August 15, 2017, we issued 186,643 shares of our common stock pursuant to the terms of a securities purchase agreement entered into on February 7, 2017, which required the issuance of additional inducement shares if the price of our common stock decreased six months from the date of the agreement so that the aggregate value of the shares issued on the closing date would equal the aggregate value of the shares after six months.

On August 24, 2017, the company signed an amendment to the convertible promissory note which extended the maturity date until September 30, 2017 and reduced the conversion price from \$0.08 to \$0.05 per share.

Subsequent to the signing of the amendment, from August 25 to September 20, 2017, a total of \$72,500 were converted into 1,450,000 shares of common stock. On September 27, 2017, the buyer converted \$40,800 into 816,000 shares of common stock and the note was retired.

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March 2017 Convertible Note – On March 14, 2017, the Company entered into a note purchase agreement with Bellridge which provides for the purchase of a \$78,750 convertible promissory note on the same terms as the December 6, and December 28, 2016 Notes. The note has a 5% original issue discount and bears interest at 5% per annum. The maturity date is March 14, 2018. On March 14, 2017, we also issued 200,000 shares of common stock to Bellridge for agreeing to enter into such agreement.

The Note may be prepaid in whole or in part at a 115% premium if within 120 days of the issue date or 125% after 120 days of the issue date. The Note is convertible into common stock at a 30% discount to the lowest trading price for the ten trading days immediately prior to the delivery of a conversion notice, provided that the conversion price will not be less than \$0.06 per share.

After 180 days the conversion floor of \$0.06 expired. The Note was converted in full and 1,382,889 shares and 434,826 shares of common stock were issued to Bellridge on September 14, 2017 and September 26, 2017, respectively.

April Convertible Note – On April 5, 2017, the Company entered into a convertible note agreement. We issued 300,000 inducement shares of restricted common stock and received \$150,000, with an original issue discount of \$15,000 in lieu of interest, for a total amount of \$165,000 due on November 5, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at \$0.10 per share. In the event of default, the outstanding balance will increase by 25% and a daily penalty of \$100 will accrue until the default is remedied. Shares reserved for future conversions must equal to at least 100% of the full number of shares of common stock issuable upon conversion of all outstanding amounts under this note.

On October 16, 2017, the company signed an amendment to the convertible promissory note which extended the maturity date until December 31, 2017 and reduced the conversion price from \$0.10 to \$0.05 per share.

Subsequent to the signing of the amendment, on October 25, 2017, \$25,000 was converted into 500,000 shares of common stock.

August Convertible Note – On August 25, 2017, the Company entered into a convertible note agreement. We issued 300,000 inducement shares of restricted common stock and received \$150,000, with an original issue discount of \$15,000 in lieu of interest, for a total amount of \$165,000 due on March 25, 2018. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at \$0.10 per share. In the event of default, the outstanding balance will increase by 25% and a daily penalty of \$100 will accrue until the default is remedied.

Off Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Cash Flows

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

	Year ended December 31,	
	2017	2016
Net cash used in operating activities	\$ (1,605,734)	\$ (1,324,076)
Net cash used in investing activities	(17,086)	(12,968)
Net cash provided by financing activities	1,733,872	1,388,453

Net cash used in operating activities increased due to changes in other current assets and other current liabilities and was primarily attributable to a reduction in outstanding accounts payable. Our investing activity relates to the development of patents, which has remained steady since inception, and the purchase of test vehicles. Net cash provided by financing activities increased primarily due to debt borrowings.

The Company's capital requirements for the next 12 months will consist of \$3.2 million with anticipated expenses of \$1.4 million for salaries, public company filings, and consultants and professional fees.

Management believes the Company's funds are insufficient to provide for its projected needs for operations for the next 12 months. The Company is currently negotiating additional non-dilutive funding to support product development or for other purposes.

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Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Critical accounting policies are those that require the application of management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Actual results may differ from these estimates.

We define critical accounting policies as those that are reflective of significant judgments and uncertainties and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty.

Impairment of long-lived assets

When facts and circumstances indicate that the carrying value of long-lived assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of revenues and the resulting gross profit and cash flows. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized, if any, is the amount by which the carrying amount of the asset (or asset group) exceeds the fair value. We may use a variety of methods to determine the fair value of these assets, including discounted cash flow models, which are consistent with the assumptions we believe hypothetical marketplace participants would use.

If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to an impairment charge in the future.

Derivative financial instruments

When we issue debt that contains a conversion feature, we first evaluate whether the conversion feature meets the requirements to be treated as a derivative: a) one or more underlying, typically the price of the company's stock; b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; c) no initial net investment, which typically excludes the amount borrowed; and d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. There are certain scope exceptions from derivative treatment, but these typically exclude conversion features that provide for a variable number of shares.

When we issue warrants to purchase our common stock, we must evaluate whether they meet the requirements to be treated as a derivative. Generally, warrants would be treated as a derivative if the provisions of the warrant agreement create uncertainty as to a) the number of shares to be issued upon exercise; or b) whether shares may be issued upon exercise.

If the conversion feature within convertible debt or warrants meet the requirements to be treated as a derivative, we estimate the fair value of the derivative liability using the Black-Scholes Option Pricing Model upon the date of issuance. If the fair value of the derivative liability is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the derivative liability is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The derivative liability is revalued at the end of each reporting period and any change in fair value is recorded as a change in fair value in the consolidated statement of operations. The debt discount is amortized through interest expense over the life of the debt. Derivative instrument liabilities and the host debt agreement are classified on the balance sheet as current or non-current based on whether settlement of the derivative instrument could be required within twelve months of the balance sheet date.

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The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. As a result of entering into warrant agreements, for which such instruments contained a variable conversion feature with no floor, the Company has adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

Contingent liabilities

We accrue a loss for contingencies if it is probable that an asset has been impaired or a liability has been incurred, and when the amount of loss can be reasonably estimable. When no accrual is made because one or both of these conditions do not exist, we disclose the contingency if there is at least a reasonable possibility that a loss may be incurred. We estimate contingent liabilities based on the best information we have available at the time. If we have a range of possible outcomes, we accrue the low end of the range.

Share-based Payments

All of our share-based awards are classified as equity, as they may only be settled in shares of our common stock.

We recognize expense for fully-vested warrants at the time they are granted. For awards with service or performance conditions, we generally recognize expense when the service is complete; however, there may be circumstances in which we determine that the performance condition is probable before the actual performance condition is achieved. In such circumstances, the amount recognized as expense is the pro rata amount, depending on the estimated progress towards completion of the performance condition. Nonemployee share-based payments are measured at fair value, based on either the fair value of the equity instrument issued or on the fair value of the services received. Typically, it is not practical to value the services received, so we determine the fair value of common stock grants based on the price of the common stock on the measurement date, and the fair value of common stock warrants using the Black-Scholes option-pricing model ("Black-Scholes"). We use historical data to estimate the expected price volatility, the expected stock option life and expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for the estimated life of the stock option. For awards that are recognized when a performance condition is probable, the fair value is estimated at each reporting date. The cost ultimately recognized is the fair value of the equity award on the date the performance condition is achieved. Accordingly, the expense recognized may change between interim reporting dates and the date the performance

condition is achieved.

We issue two types of common stock options to employees: 1) fully-vested at the time of grant and 2) market price-based vesting. We recognize expense for fully-vested stock options on the date of grant at the estimated fair value of the options using Black-Scholes. We recognize expense for market price-based options at the estimated fair value of the options using the lattice-based option valuation model ("Lattice Model") over the estimated life of the options used in the Lattice Model. We use historical data to estimate the expected price volatility, the expected stock option life and expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for the estimated life of the stock option. In the event, we modify the terms of a nonvested share-based payment award, we would incur additional expense for the excess of the fair value of the modified share-based payment award over the fair value of the original share-based payment award. The incremental expense would be recognized ratably over the remaining vesting period.

Income taxes

We recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amount of our assets and liabilities. We monitor our deferred tax assets and evaluate the need for a valuation allowance based on the estimate of the amount of such deferred tax assets that we believe do not meet the more-likely-than-not recognition criteria. We also evaluate whether we have any uncertain tax positions and would record a reserve if we believe it is more-likely-than-not our position would not prevail with the applicable tax authorities. We have significant net operating loss carryforwards, for which we have established a valuation allowance. If our estimate of the amount of such deferred tax assets change, we may recognize a benefit in the future. UPT is a limited liability company ("LLC"), which is treated as a partnership for income tax purposes, where all tax obligations flow through to the owners of the LLC during the period in which income taxes were incurred.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

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Green & Company, CPAs

A PCAOB Registered Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of

Cool Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of Cool Technologies, Inc. (the Company) as of December 31, 2017, the related Consolidated Statements of Operations, Changes in Stockholders' Deficit, and Cash Flows for the year ended December 31, 2017, and the related notes (collectively referred to as the "Consolidated financial statements"). In our opinion, the Consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and the results of its operations and its cash flows for the year ended December 31, 2017 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has significant net losses and accumulated deficit. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Green & Company, CPAs

Green & Company, CPAs

We have served as the Company's auditor since 2018.

Tampa, FL 33618

April 17, 2018

*13907 N Dale Mabry Hwy, Suite
102*

Tampa, FL 33618

813.606.4388

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To the Board of Directors and Stockholders

Cool Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Cool Technologies, Inc. (the "Company") as of December 31, 2016, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that we considered appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and the results of their operations and their cash flows for the year then ended; in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has had no revenues and incurred an accumulated deficit of \$40,188,414 since inception. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1, which includes the raising of additional equity financing. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Anton & Chia, LLP

Newport Beach, CA

April 12, 2017

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Cool Technologies, Inc.
Consolidated Balance Sheets

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash	\$ 173,343	\$ 62,291
Prepaid expenses	10,000	--
Total current assets	183,343	62,291
Intangibles	183,488	166,402
Equipment, net	45,728	71,664
Total assets	\$ 412,559	\$ 300,357
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,222,775	\$ 1,595,883
Accrued liabilities – related party	991,714	553,953
Customer deposits – related party	400,000	400,000
Accrued payroll	56,917	93,512
Debt, current portion (related party \$257,490)	659,312	825,170
Derivative liability	7,504	4,851,760
Total current liabilities	3,338,222	8,320,278
Debt, long-term portion	97,009	18,311
Total liabilities	\$ 3,435,231	\$ 8,338,589
Commitments and contingencies (Note 6)	--	--
Stockholders' deficit:		
Preferred stock Series A, \$.001 par value; 15,000,000 shares authorized; 33 and 116 shares issued and outstanding at December 31, 2017 and 2016, respectively	--	--
Preferred stock Series B, \$.001 par value; 15,000,000 shares authorized: 2,727,270 and 3,636,360 issued and outstanding on December 31, 2017 and 2016, respectively.	2,727	3,636
Common stock, \$.001 par value; 350,000,000 shares authorized; 152,836,983 and 111,438,236 shares issued and outstanding at December 31, 2017 and 2016, respectively	152,837	110,865
Additional paid-in capital	41,401,330	31,891,116
Common stock issuable	712,000	125,500
Preferred stock issuable	--	51,000

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Common stock held in escrow	8,441	8,441
Accumulated deficit	(45,247,740)	(40,188,414)
Non controlling interest	(52,267)	(40,376)
Total stockholders' deficit	(3,022,672)	(8,038,232)
Total liabilities and stockholders' deficit	\$ 412,559	\$ 300,357

See accompanying notes to consolidated financial statements.

Table of Contents**Cool Technologies, Inc.****Consolidated Statements of Operations**

	Year ended December 31,	
	2017	2016
Revenues	\$ --	\$ --
Cost of revenues	--	--
Gross profit	--	--
Operating expenses		
Payroll and related expenses	665,807	553,199
Consulting	810,924	2,081,714
Professional fees	228,829	332,767
Research and development	348,424	251,724
General and administrative	324,977	738,816
Total operating expenses	2,378,961	3,958,220
Operating loss	(2,378,961)	(3,958,220)
Other income and (expense)		
Interest expense, net	(1,233,023)	(1,186,008)
Change in fair value of derivative liability	(1,529,312)	4,959,062
Gain (Loss) on extinguishment	70,079	(628,510)
Legal settlement – other	--	(42,210)
Net loss	(5,071,217)	(855,886)
Net loss attributable to non controlling interest	(11,891)	(11,717)
Net loss attributable to Cool Technologies, Inc.	\$ (5,059,326)	\$ (844,169)
Net loss per common share:		
Basic and diluted	\$ (0.04)	\$ (0.01)
Weighted average common shares outstanding:		
Basic and diluted	130,188,614	84,894,351

See accompanying notes to consolidated financial statements

Table of Contents**Cool Technologies, Inc.****Consolidated Statements of Changes in Stockholders' Deficit****Years ended December 31, 2016 and 2017**

	Preferred Stock		Common Stock		Additional	Common	Preferred	Common	
	Shares	Amount	Shares	Amount	Paid-in	Stock	Stock	Held	Accumulated
					Capital	Issuable	Issuable	in	Deficit
								Escrow	
December 31, 2015	136	--	66,600,367	\$ 65,929	\$ 36,038,551	\$ 180,900	\$ --	\$ 8,441	\$ (39,344,245)
Sale of stock	2,727,270	2,727	2,480,770	2,481	550,292	65,000	51,000		
Issuance of common stock issuable			529,654	529	119,871	(120,400)			
Conversion of Series A preferred stock to common stock	(20)		1,000,000	1,100	(1,100)				
Series B preferred stock issued for services	909,090	909	1,806,812	1,807	334,374				
Stock issued for short term payables			143,188	143	22,767				
Stock issued with debt			1,350,000	1,350	213,650				
Warrants issued for services	--	--	--	--	1,623,958				
Warrants issued with debt					35,579				
Employee stock options	--	--	--	--	327,000				
Debt Converted			37,527,445	37,526	987,509				
Reclassification of common share equivalents to					(9,194,736)				

derivative liabilities									
Conversion of convertible notes					833,401				
Net loss	--	--	--	--	--	--	--	--	(855,886)
Noncontrolling interest	--	--	--	--	--	--	--	--	11,717
December 31, 2016	3,636,476	3,636	111,438,236	110,865	31,891,116	125,500	51,000	8,441	(40,188,414)
Sale of stock			9,518,183	10,090	485,910	675,000			
Issuance of common stock issuable			2,160,000	2,160	144,840	(147,000)			
Issuance of preferred stock issuable as common stock			927,270	927	50,073		(51,000)		
Conversion of Series A preferred stock to common stock	(83)		4,150,000	4,150	(4,150)				
Conversion of Series B preferred stock to common stock	(909,090)	(909)	909,090	909					
Common stock issued for services			1,905,811	1,906	137,623				
Stock issued with debt			4,273,428	4,274	295,036	58,500			
Warrants issued for services					404,516				
Employee common stock			2,685,714	2,686	185,314				
Debt converted			14,869,251	14,870	782,371				
Debt issued with beneficial conversion feature					556,954				
Reclassification of common share equivalents to derivative liabilities					(208,742)				
Reclassification of common					6,364,224				

share equivalents to equity										
Reduction of derivative liability due to conversion of debt					316,245					
Net loss										(5,071,217)
Noncontrolling interest										11,891
December 31, 2017	2,727,303	2,727	152,836,983	152,837	41,401,330	712,000	--	8,441	(45,247,740)	

See accompanying notes to consolidated financial statements

Table of Contents**Cool Technologies, Inc.****Consolidated Statements of Cash Flows**

	Year ended December 31,	
	2017	2016
Operating Activities:		
Net loss	\$ (5,071,217)	\$ (855,886)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	139,529	337,090
Warrants issued for services	404,516	1,623,958
Loss on extinguishment of debt	(70,079)	628,510
Employee stock	188,000	
Employee stock options	--	327,000
Non-cash interest expense	77,951	370,718
Change in fair value of derivative liability	1,529,312	(4,959,062)
Amortization of debt discount	1,152,260	743,051
Depreciation expense	25,936	25,853
Changes in operating assets and liabilities:		
Prepaid expenses	(10,000)	95,175
Accounts payable	(373,108)	317,576
Accrued liabilities – related party	437,761	(37,917)
Accrued payroll liabilities	(36,595)	59,775
Net cash used in operating activities	(1,605,734)	(1,324,076)
Investing Activities:		
Expenditure for Intangible assets	(17,086)	(12,968)
Net cash used in investing activities	(17,086)	(12,968)
Financing Activities:		
Proceeds from sale of common stock, net	1,171,000	671,500
Proceeds from debt	582,238	1,091,715
Payments on debt	(19,366)	(374,762)
Net cash provided by financing activities	1,733,872	1,388,453
Net change in cash	111,052	51,409
Cash, beginning of period	62,291	10,882
Cash, end of period	\$ 173,343	\$ 62,291
Cash paid for:		
Interest	\$ 18,159	\$ 29,161
Income taxes		--

Non-cash transactions:			
Derivative liability offset by debt discount	\$	54,985	\$ 492,405
Reduction of common stock issuable by issuing stock		147,000	120,400
Reduction of preferred stock issuable by issuing stock		51,000	--
Debt and interest settled for common stock		797,241	1,025,035
Stock issued for short term payables		--	22,910
Stock issued with debt		357,810	215,000
Warrants issued with debt		--	35,579
Reclassification of common shares equivalents to additional paid-in capital		(6,364,224)	9,194,736
Reduction of derivative liability due to conversion of debt		316,245	833,401

See accompanying notes to consolidated financial statements.

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Cool Technologies, Inc. and subsidiary

Notes to Consolidated Financial Statements

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

Description of Business

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

We have developed and intend to commercialize heat dispersion technologies in various product platforms, and have developed and intend to commercialize an electric load assist technology around which we have designed a vehicle retrofit system. In preparation, we have applied for trademarks for one of our technologies and its acronym. We currently own one trademark: TEHPC. We believe that our proprietary technologies, including our patent portfolio and trade secrets, can help increase the efficiency and positively affect manufacturing cost structure in several large industries beginning with motors/generators and fleet vehicles. The markets for products utilizing our technology include consumer, industrial and military markets, both in the U.S. and worldwide.

Our technologies are divided into three distinct but complementary categories: a) mobile power generation, b) heat dispersion technology and c) electric load assist. As of December 31, 2017, we have seven US patents, one granted Mexican patent, four pending applications (2 in Canada, 1 in Brazil, 1 US) and one US filed provisional application pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as "thermal" or "heat dispersion technology") and a parallel vehicle power platform. We also have Patent Cooperation Treaty ("PCT") applications filed for a heat pipe cooled brake system, a parallel power input gearing system (PPIG) and radial vent thermal technology.

We intend to commercialize our patents by licensing our thermal technologies and applications to electric motor, pump and vehicle component manufacturers; by licensing or selling a mobile electric power system powered by our proprietary gearing system to commercial vehicle and fleet owners; and by licensing a plug-in hybrid conversion system for heavy duty trucks, buses and tractor trailers to fleet owners and service centers.

Basis of Presentation, Use of Estimates and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Cool Technologies, Inc. and Ultimate Power Truck, LLC. Intercompany accounts and transactions have been eliminated. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. Furthermore, when testing assets for impairment in future periods, if management uses different assumptions or if different conditions occur, impairment charges may result.

Noncontrolling interest represents the 5% third-party interest in UPT. There are no restrictions on the transfer of funds or net assets from UPT to Cool Technologies.

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Going Concern and Management's Plan

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred net losses of \$45,247,740 since inception and have not fully commenced operations, raising substantial doubt about our ability to continue as a going concern. Management believes that the company's ability to continue as a going concern is dependent on our ability to generate revenue, achieve profitable operations and repay our obligations when they come due. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty. As of the filing date of this Annual Report on Form 10-K, management is negotiating additional non-dilutive funding arrangements to support completion of the initial phases of our business plan: to license its thermal technologies and applications, including submersible dry-pit applications and to license and sell mobile generation retrofit kits (our Ultimate Power Truck business) driven by our proprietary gearing system. There can be no assurance, however, that we will be successful in accomplishing these objectives.

Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks, and investments that are highly liquid and have maturities of three months or less at the date of purchase.

Intangible assets

Our intangible assets consist of patents on our technology, recorded at cost. Cost is based on third party expenditures for patent applications. We will begin amortizing our intangibles over their estimated remaining useful life when we begin revenue-producing activities. We will determine the useful lives of our intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement related to the asset, the historical performance of the asset, our long-term strategy for using the asset, any laws or other local regulations that could impact the useful life of the asset, and other economic factors, including competition and specific market conditions.

Equipment

Equipment consists of vehicles we use for testing and demonstrating our technology to potential customers. Depreciation is recorded using the straight-line method over five years, the estimated useful life.

Impairment of long-lived assets

When facts and circumstances indicate that the carrying value of long-lived assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of revenues and the resulting gross profit and cash flows. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized, if any, is the amount by which the carrying amount of the asset (or asset group) exceeds the fair value. We may use a variety of methods to determine the fair value of these assets, including discounted cash flow models, which are consistent with the assumptions we believe hypothetical marketplace participants would use. We have not recorded any impairment expense on our long-lived assets as of December 31, 2017.

Debt – original issue discount

When we issue notes payable with a face value higher than the proceeds we receive, we record the difference as a debt discount and amortize it through interest expense over the life of the underlying note payable.

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Derivative financial instruments

When we issue debt that contains a conversion feature, we first evaluate whether the conversion feature meets the requirements to be treated as a derivative: a) one or more underlyings, typically the price of the company's stock; b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; c) no initial net investment, which typically excludes the amount borrowed; and d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. There are certain scope exceptions from derivative treatment, but these typically exclude conversion features that provide for a variable number of shares.

When we issue warrants to purchase our common stock, we must evaluate whether they meet the requirements to be treated as a derivative. Generally, warrants would be treated as a derivative if the provisions of the warrant agreement create uncertainty as to a) the number of shares to be issued upon exercise; or b) whether shares may be issued upon exercise.

If the conversion feature within convertible debt or warrants meet the requirements to be treated as a derivative, we estimate the fair value of the derivative liability using the Black-Scholes Option Pricing Model upon the date of issuance. If the fair value of the derivative liability is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the derivative liability is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The derivative liability is revalued at the end of each reporting period and any change in fair value is recorded as a change in fair value in the consolidated statement of operations. The debt discount is amortized through interest expense over the life of the debt. Derivative instrument liabilities and the host debt agreement are classified on the balance sheet as current or non-current based on whether settlement of the derivative instrument could be required within twelve months of the balance sheet date.

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. As a result of entering into warrant agreements, for which such instruments contained a variable conversion feature with no floor, the Company has adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

Research and development costs

Internal costs related to research and development efforts on existing or potential products are expensed as incurred. External costs incurred for intangible assets, such as attorney fees for patents, are capitalized.

Share-based payments

All of our share-based awards are classified as equity. We do not have any liability classified share-based awards. Each warrant or stock option is exercisable for one share of our common stock.

Nonemployees – We may enter into agreements with nonemployees to make share-based payments in return for services. These payments may be made in the form of common stock or common stock warrants. We recognize expense for fully-vested warrants at the time they are granted. For awards with service or performance conditions, we generally recognize expense over the service period or when the performance condition is met; however, there may be circumstances in which we determine that the performance condition is probable before the actual performance condition is achieved. In such circumstances, the amount recognized as expense is the pro rata amount, depending on the estimated progress towards completion of the performance condition. Nonemployee share-based payments are measured at fair value, based on either the fair value of the equity instrument issued or on the fair value of the services received. Typically, it is not practical to value the services received, so we determine the fair value of common stock grants based on the price of the common stock on the measurement date (which is the earlier of the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, if there are sufficient disincentives to ensure performance, or the date at which the counterparty's performance is complete), and the fair value of common stock warrants using the Black-Scholes option-pricing model ("Black-Scholes"). We use historical data to estimate the expected price volatility, the expected stock option life and expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for the estimated life of the stock option. For awards that are recognized when a performance condition is probable, the fair value is estimated at each reporting date. The cost ultimately recognized is the fair value of the equity award on the date the performance condition is achieved. Accordingly, the expense recognized may change between interim reporting dates and the date the performance condition is achieved.

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Employees – We issue two types of common stock options to employees: 1) fully-vested at the time of grant and 2) market price-based vesting. We recognize expense for fully-vested stock options on the date of grant at the estimated fair value of the options using Black-Scholes. We recognize expense for market price-based options at the estimated fair value of the options using the lattice-based option valuation model ("Lattice Model") over the estimated life of the options used in the Lattice Model. We use historical data to estimate the expected price volatility, the expected stock option life and expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for the estimated life of the stock option.

Modification of share-based payment awards – In the event we modify the terms of a nonvested share-based payment award, we would incur additional expense for the excess of the fair value of the modified share-based payment award, measured at the date of modification, over the fair value of the original share-based payment award. The incremental expense would be recognized ratably over the remaining vesting period.

Sale of common stock with warrants – When we sell common stock we may also issue common stock warrants. We treat the value of these warrants as equity issuance costs. Accordingly, the value of the common stock warrants is included as a component of additional paid-in capital upon recording the sale of common stock.

Nonemployee stock option – In 2012, we issued an equity-based award in the form of stock options to a nonemployee, which have been aggregated and classified with nonemployee common stock warrants, as the terms are similar to the common stock warrants we issued to nonemployees. The stock options were exercised on a cashless basis in 2013.

Cashless exercise – Most of our common stock warrants and stock options may be exercised on a cashless basis. The number of shares of our common stock received upon exercising on a cashless basis is based on a) the volume weighted-average price of our common stock for three trading days immediately preceding the exercise date; b) the exercise price of the warrant or option; and c) the number of common shares issuable under the instrument.

Income taxes

We recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amount of our assets and liabilities. We monitor our deferred tax assets and evaluate the need for a valuation allowance based on the estimate of the amount of such deferred tax assets that we believe do not meet the more-likely-than-not recognition criteria. We also evaluate whether we have any uncertain tax positions and would record a reserve if we believe it is more-likely-than-not our position would not prevail with the applicable tax authorities. Our assessment of tax positions as of December 31, 2017 and 2016, determined that there were no material uncertain tax positions.

UPT is a limited liability company ("LLC"), which is treated as a partnership for income tax purposes, where all tax obligations flow through to the owners of the LLC during the period in which income taxes were incurred.

Fair value of financial instruments

Our financial instruments include cash and cash equivalents, accounts payable, accrued liabilities, and debt. The carrying value of these financial instruments is considered to be representative of their fair value due to the short maturity of these instruments. The carrying amount of our debt approximates fair value, because the interest rates on these instruments approximate the interest rate on debt with similar terms available to us. Our derivative liabilities were adjusted to fair market value at the end of each reporting period, using Level 3 inputs.

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Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities.

Reportable segments

We have identified our operating segments, our chief operating decision maker ("CODM"), and the discrete financial information reviewed by the CODM. After evaluating this information, we have determined that we have one reportable segment.

Recently Issued Accounting Pronouncements

Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU 2016-02 "Leases (Topic 842)"– In February 2016, the FASB issued ASU 2016-02, which will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. This ASU is effective for fiscal years beginning after December 18, 2018, including interim periods within those fiscal years. We are currently evaluating the potential impact this standard will have on our consolidated financial statements and related disclosures.

FASB ASU 2015-17 "Income Taxes (Topic 740)" – In November 2015, the FASB issued ASU 2015-17, which simplifies the presentation of deferred tax assets and liabilities on the balance sheet. Previous GAAP required an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts on the balance sheet. The amendment requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. We are currently evaluating the potential impact this standard will have on our consolidated financial statements and related disclosures.

FASB ASU 2015-16 "Business Combinations (Topic 805)," or ASU 2015-16 - In September 2015, the FASB issued ASU 2015-16, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This ASU is effective for interim and annual reporting period beginning after December 15, 2016, including interim periods within those fiscal years, with the option to early adopt for financial statements that have not been issued. Currently, this has not impact.

FASB ASU 2015-11 "Inventory (Topic 330): Simplifying the Measurement of Inventory," or ASU 2015-11 - In July 2015, the FASB issued ASU 2015-11, which requires an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments apply to inventory that is measured using first-in, first-out (FIFO) or average cost. This ASU is effective for interim and annual reporting periods beginning after December 15, 2016, with the option to early adopt as of the beginning of an annual or interim period. We do not expect the adoption of this ASU to have a significant impact on our financial position, results of operations and cash flows.

FASB ASU 2015-03 "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost," or ASU 2015-03 - In April 2015, the FASB issued ASU 2015-03, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. We do not expect the adoption of this ASU to have a significant impact on our financial position, results of operations and cash flows.

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FASB ASU 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis," or ASU 2015-02 - In February 2015, the FASB issued ASU 2015-02, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This ASU is effective for annual reporting periods beginning after December 15, 2015 and we are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position.

FASB ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)," or ASU 2014-09 - In May 2014, the FASB issued ASU 2014-09, which supersedes the revenue recognition requirements of Accounting Standards Codification, or ASC, Topic 605 "Revenue Recognition." This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. We are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position.

Note 2 – Equipment

Equipment consists of the following:

	December 31,	
	2017	2016
Test vehicles	\$ 124,687	\$ 124,687
Other	5,000	5,000
	129,687	129,687
Less: accumulated depreciation	(83,959)	(58,023)
	\$ 45,728	\$ 71,664

Depreciation expense for the years ended December 31, 2017 and 2016, was \$25,936 and \$25,853, respectively.

Note 3 – Customer deposits – Related party

These represent advance payments of \$400,000 received on orders that have not yet been fulfilled, with companies controlled by the individual who is the 5% owner of UPT and is a shareholder of Cool Technologies.

Note 4 – Debt

Debt consists of the following:

	December 31,	
	2017	2016
Notes payable -- original issue discount	\$ --	\$ 225,000
Convertible notes payable	795,803	641,129
Test vehicle financing	42,444	61,811
Note payable – related party	7,490	237
Note payable – UPT minority owner	250,000	250,000
	1,095,737	1,178,177
Debt discount	(339,416)	(334,696)
	756,321	843,481
Less: current portion	659,312	825,170
Long-term portion	\$ 97,009	\$ 18,311

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Notes payable – original issue discount

Convertible notes payable

August 2016 Convertible Note– In August 2016, the Company entered into a senior convertible note agreement. We received \$400,000, bearing interest at 3%, with principal and interest payable on August 24, 2018. In addition, the Company received the right to require the buyer to purchase from the company four million restricted shares of common stock at a purchase price of \$0.05 per share and a warrant to purchase four million shares of common stock with an exercise price of \$0.06 per share. At the same time, the Company granted the buyer the right to require the company to sell to the buyer four million restricted shares of common stock at a purchase price of \$0.05 per share and a warrant to purchase four million shares of common stock with an exercise price of \$0.06 per share. In the event of default, the interest rate will be 18% per annum, require the Company to (i) redeem all or any portion of the note at a premium of 150% or (ii) convert any portion of this note then held by noteholder into shares of common stock at the conversion price of \$0.025, equal to a number of shares of common stock equal to the principal amount outstanding on the note (divided by 0.025) and multiplied by the premium of 150%.

The note may be converted at any time into shares of the common stock at the conversion price pursuant to the terms of the note. The buyer may not, however, convert more than 50% of the note's purchase price prior to September 30, 2016.

On April 18, 2017, KHIC was issued 1,132,000 shares of common stock after converting \$28,300 in debt at \$0.025 per share.

On May 30, 2017, the Company signed an amendment to the securities purchase agreement originally signed with KHIC on August 24, 2016. In exchange for \$100,000, KHIC extended the KHIC's right to require the Company to sell to the buyer, four million restricted shares of common stock at a purchase price of \$0.05 per share and a warrant to purchase four million shares of common stock with an exercise price of \$0.06 per share until June 7, 2017. The right was originally due to expire on May 31, 2017. On June 7, 2017, KHIC exercised the right and was issued the requisite shares and warrants.

November 2016 Convertible Note – In November 2016, the Company entered into a convertible note agreement. We issued 350,000 inducement shares of common stock and received \$100,000, with an original issue discount of \$10,000 in lieu of interest, for a total amount of \$110,000 due on June 9, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at \$0.07 per share. In the event of default, the outstanding balance will increase by 25%. At any time following an event of default, the lender has the

right to convert a portion or all of the unpaid principal balance at a rate of 65% of the average of the three lowest closing prices in the twenty trading days immediately preceding the request for conversion date. A fixed 5% interest rate/fee of \$5,500.

From March 31 to June 28, 2017, a total of \$115,500 were converted into 2,110,000 shares of common stock and the note was extinguished.

December 2016 Convertible Notes -- In December 6, 2016, the Company entered into a note purchase agreement which provides for the purchase of up to an aggregate of \$150,000 principal amount of convertible promissory notes (the "Notes"). The Notes have a 5% original issue discount and bear interest at 5% per annum. On December 7, 2016, \$85,000 was paid pursuant to the initial Note (after the deduction of \$10,000 for legal expenses) which is due on December 5, 2017. On December 28, 2016, after the filing by the Company of a registration statement with the SEC, the Company issued another Note in the original principal amount of \$50,000 for \$47,500.

The Notes may be prepaid in whole or in part by the Company at a 115% premium if within 120 days of the issue date or 125% after 120 days of the issue date. The Notes are convertible into common stock at a 30% discount to the lowest trading price for the ten trading days immediately prior to the delivery of a conversion notice, provided that the conversion price will not be less than \$0.06 per share.

The Note Purchase Agreement also provides that it is an event of default if the Company does not obtain FINRA's approval to effectuate a 1:15 reverse stock split no later than January 15, 2017, which was extended to January 20, 2017, then extended to February 15, 2017 and further extended to April 24, 2017. As part of the last extension to April 24, 2017, Bellridge agreed to add an increase in the authorized share capital of the Company as another method to avoid the triggering of an event of default. The increase in amounts required under the Notes held by Bellridge necessitated that the Company amend its Articles of Incorporation. This was accomplished on March 22, 2017.

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The Company also agreed to reserve the greater of (i) 1,000,000 shares of common stock or (ii) 300% of the maximum aggregate number of shares issued or issuable. The Company determined that the conversion feature meets the requirements for derivative treatment and has recorded a derivative liability and a corresponding debt discount on the consolidated balance sheet.

On May 2, 2017, the buyer converted a total of \$50,780 into 469,559 shares of common stock and \$101.863 into 941,867 shares of common stock and the notes were retired.

February Convertible Note – On February 7, 2017, the Company entered into a convertible note agreement. We issued 200,000 inducement shares of restricted common stock and received \$100,000, with an original issue discount of \$10,000 in lieu of interest, for a total amount of \$115,000 due on September 7, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at \$0.08 per share. In the event of default, the outstanding balance will increase by 25% and a daily penalty of \$100 will accrue until the default is remedied. Shares reserved for future conversions must equal to at least 100% of the full number of shares of common stock issuable upon conversion of all outstanding amounts under this note.

On August 15, 2017, we issued 186,643 shares of our common stock pursuant to the terms of a securities purchase agreement entered into on February 7, 2017, which required the issuance of additional inducement shares if the price of our common stock decreased six months from the date of the agreement so that the aggregate value of the shares issued on the closing date would equal the aggregate value of the shares after six months.

On August 24, 2017, the company signed an amendment to the convertible promissory note which extended the maturity date until September 30, 2017 and reduced the conversion price from \$0.08 to \$0.05 per share.

Subsequent to the signing of the amendment, from August 25 to September 20, 2017, a total of \$72,500 were converted into 1,450,000 shares of common stock. On September 27, 2017, the buyer converted \$25,000 into 816,000 shares of common stock and the \$113,300 note was retired.

March 2017 Convertible Note. On March 14, 2017, the Company entered into a note purchase agreement with Bellridge which provides for the purchase of a \$78,750 convertible promissory note on the same terms as the December 6, and December 28, 2016 Notes. The note has a 5% original issue discount and bears interest at 5% per annum. The maturity date is March 14, 2018. On March 14, 2017, we also issued 200,000 shares of common stock to Bellridge for agreeing to enter into such agreement.

The Note may be prepaid in whole or in part at a 115% premium if within 120 days of the issue date or 125% after 120 days of the issue date. The Note is convertible into common stock at a 30% discount to the lowest trading price for the ten trading days immediately prior to the delivery of a conversion notice, provided that the conversion price will not be less than \$0.06 per share.

After 180 days the conversion floor of \$0.06 expired. The Note was converted in full and 1,382,889 shares and 434,826 shares of common stock were issued to Bellridge on September 14, 2017 and September 26, 2017, respectively.

April Convertible Note – On April 5, 2017, the Company entered into a convertible note agreement. We issued 300,000 inducement shares of restricted common stock and received \$150,000, with an original issue discount of \$15,000 in lieu of interest, for a total amount of \$165,000 due on November 5, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at \$0.10 per share. In the event of default, the outstanding balance will increase by 25% and a daily penalty of \$100 will accrue until the default is remedied. Shares reserved for future conversions must equal to at least 100% of the full number of shares of common stock issuable upon conversion of all outstanding amounts under this note.

On October 16, 2017, the company signed an amendment to the convertible promissory note which extended the maturity date until December 31, 2017 and reduced the conversion price from \$0.10 to \$0.05 per share.

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Subsequent to the signing of the amendment, from October 25 to November 14, 2017, a total of \$137,500 were converted into 2,750,000 shares of common stock. On November 22, 2017, the buyer converted \$32,450 into 649,000 shares of common stock and the note was retired.

August Convertible Note – On August 25, 2017, the Company entered into a convertible note agreement. We issued 300,000 inducement shares of restricted common stock and received \$150,000, with an original issue discount of \$15,000 in lieu of interest, for a total amount of \$165,000 due on March 25, 2018. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at \$0.10 per share. In the event of default, the outstanding balance will increase by 25% and a daily penalty of \$100 will accrue until the default is remedied.

On February 19th, 2018, the convertible note agreement was amended and the maturity date was extended until April 30, 2018. In exchange, the holder's debt conversion share price was reduced to \$0.025 per share.

Test Vehicle Financing

In October 2014, we entered into financing agreements for the purchase of test vehicles, bearing interest at 5.99% payable monthly over five years, collateralized by the vehicles.

Note payable – related party

On February 3, 2016, an agreement was signed with the Secretary of Cool Technologies to retire a non-interest bearing note that was due on demand. The note was retired with the issuance of 143,187 shares of restricted common stock on June 24, 2016.

Note payable – UPT minority owner

Held by the 5% minority owner of UPT. The terms of the note have not been finalized.

Warrants Issued with Debt

When we issue notes payable, we may also be required to issue warrants.

					Aggregate
	Number of	Weighted-average	Weighted-average		Intrinsic
	Warrants	Exercise Price	Remaining Life		Value
			(Years)		
Outstanding, December 31, 2016	14,421,379	0.02	2.5	\$	999,378
Granted	-				
Forfeited or expired	-				
Outstanding, December 31, 2017	14,421,379	0.02	1.5	\$	725,950
Exercisable, December 31, 2017	14,421,379	0.02	1.5	\$	725,950

Future contractual maturities of debt are as follows:

Year ending December 31,	
2018	659,312
2019	97,009
2020	--
	\$ 756,321

Table of Contents**Note 5 – Derivative Liability**

Under the terms of the May 2016, December 2016 and March 2017 Convertible Notes, we identified derivative instruments arising from embedded conversion features, as well as warrants issued with the December 2015 Convertible Note.

The following summarizes the Black-Scholes assumptions used to estimate the fair value of the derivative liability at the dates of issuance and the revaluation dates:

	Year ended December 31,	
	2017	2016
Volatility	108%-199%	108%-254%
Risk-free interest rate	0.5%-1.8%	0.2%-2.5%
Expected life (years)	0.2 - 1.7	0.0 - 10.0
Dividend yield	--	--

We determined that as of September 30, 2016 we did not have sufficient authorized but unissued shares of our common stock available to settle all of the common share equivalents represented by our convertible notes, warrants, options and convertible preferred stock. As a result, the common share equivalents that exceeded our authorized but unissued shares of common stock were reclassified from equity to derivative liabilities on a last in, first out (LIFO) basis using the inception date of the related instrument.

On March 22, 2017, we amended our certificate of incorporation to increase the number of authorized shares of our common stock. Subsequent to this amendment, we had a sufficient number of authorized but unissued shares of our common stock available to settle all of our outstanding common share equivalents. Accordingly, the common share equivalents that were previously reclassified to derivative liabilities were subject to a final mark-to-market for their change in fair value as of the date of the increase in authorized shares and were then reclassified back to equity.

Changes in the derivative liability were as follows:

	Twelve Months Ended		
	December 31, 2017		
	Level 1	Level 2	Level 3
Convertible debt and other derivative liabilities at December 31, 2016			4,851,760

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Conversions of convertible debt	(316,245)
Issuance of convertible debt and other derivatives	306,901
Reclassification of common share equivalents to additional paid-in capital	(6,364,224)
Change in fair value	1,529,312
Convertible debt and other derivative liabilities at December 31, 2017	7,504

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Note 6 – Commitments and Contingencies

On December 12, 2012, we concluded negotiations on a debt settlement agreement by and among the Company, Phoenix Productions and Entertainment Group ("PPEG"), Action Media Group, LLC ("Action Media") and Spirit Bear Limited ("Spirit Bear") (PPEG and Action Media collectively, the "Debt Holders"). PPEG and Action Media were significant shareholders in our predecessor company and Spirit Bear is a related party through voting rights. The Debt Holders were to return to escrow a total of 4,676,000 shares of our common stock. 3,676,000 of these shares were returned and cancelled on January 14, 2013, following our filing a registration statement with the SEC on January 11, 2013. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at \$0.40 per share (or \$400,000) at the rate of \$10,000 per month commencing within 90 days of the Company achieving \$1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the \$400,000 on a pro rata basis, based on each company's respective amount of debt forgiven. The historical cost of the shares held in escrow are reflected in equity on the balance sheets as common stock held in escrow.

Effective May 1, 2015, we executed a First Amendment to Settlement Agreement (the "Amendment") with Spirit Bear and the parties identified as the assignees of Spirit Bear who are signatories to the Amendment, which amends certain provisions of the Settlement Agreement. In accordance with the terms of the Amendment, Jay Palmer, Carrie Dwyer and Donica Holt, the Spirit Bear holdover directors, tendered their resignation from the Board of Directors of the Company. Spirit Bear also agreed that it will no longer have any rights to appoint nominees to the Board of Directors. Pursuant to the Amendment, the Company agreed to file a registration statement on Form S-1 covering an aggregate of 14,845,072 shares of common stock, preferred stock and warrants on behalf of Spirit Bear and its assignees no later than July 15, 2015, which was filed with the SEC on July 15, 2015. A representative of Spirit Bear agreed that the obligation to register the shares on a Form S-1 need only include shares of common stock and shares of common stock issuable upon conversion of the Preferred Stock and exercise of the warrants held by Spirit Bear and its assignees. The Company agreed to issue replacement warrants for certain previously-issued warrants, which will be canceled in connection with the replacement issuance. Within 10 business days of June 1, 2015, the parties agreed to dismiss all of the pending litigation between and among them.

On November 4, 2016, Spirit Bear agreed to the withdrawal of the registration statement in exchange for confirmation that the warrants owned by Spirit Bear and its associate which were subject to a separate court action shall not expire even if the court action continued beyond the warrants' initial expiration date. The registration had not been declared effective by the SEC and the Company filed a request to withdraw the Registration Statement on November 14, 2016.

On August 28, 2015, the parties filed a Stipulation to dismiss the direct claims of the Company against Spirit Bear and of Spirit Bear against the Company in the Nevada Lawsuit. By Order dated September 1, 2015 and filed September 2, 2015, the Court ordered dismissal of all direct claims in the Nevada Lawsuit.

Additionally, on February 20, 2015, the Court issued its preliminary approval to the derivative action settlement agreement (the "DASA") which would lead to the ultimate dismissal of the derivative suit also filed by Spirit Bear in the same action. The Court scheduled a fairness hearing for November 20, 2015 to consider giving its final approval to the DASA. No shareholder filed any objections to the DASA by April 30, 2015 which was the deadline established by the Court for filing objections. However, on October 22, 2015, Peak Finance, LLC filed a Motion to Intervene in the action seeking, among other things, approval to file a new derivative Complaint in this matter. The Company opposed this Motion.

On August 31, 2015, the Company received notice of a summons in the matter styled Peak Finance, Derivatively on Behalf of Nominal Defendant, HPEV, Inc. v. Hassett, et al., No. 2:15-cv-01590-GMN-CWH, filed in the United States District Court for the District of Nevada (the "Peak Finance Claim"). Plaintiff Peak Finance, LLC ("Peak Finance") alleges that certain members of the Company's Board of Directors and officers caused a misleading proxy statement to issue and breached alleged fiduciary duties from and after June 18, 2013. Peak Finance further alleges that its claim is related to the Spirit Bear Lawsuit described above. The Company has not determined that there is any merit to the allegations, and has decided to submit the claims to an Independent Director Committee consisting of Directors Christopher McKee, Richard J. "Dick" Schul, and Donald Bowman for their review and consideration. Additionally, on September 28, 2015, the Company filed a motion to dismiss the initial Complaint filed by Peak Finance. On October 22, 2015, rather than oppose the motion to dismiss, Peak Finance filed an amended complaint in this case in addition to the Motion to Intervene in the pending Spirit Bear litigation set forth above. On November 9, 2015, the Company filed a new motion to dismiss the first amended complaint filed by Peak Finance on October 22, 2015.

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At the November 20, 2015 fairness hearing, the Court denied Peak Finance's Motion to Intervene. However, the Court did allow Peak Finance to formally argue its objections to the DASA. The Court ordered additional briefing on certain issues which has now been completed. The Court has ordered another hearing to consider the DASA on April 1, 2016.

On April 1, 2016, Peak Finance and the Company advised the Court that they had agreed in principle to a settlement that would include withdrawal of Peak Finance's objection to the DASA. On April 20, 2016, the parties filed a Stipulation and Proposed Order for Withdrawal of Objection to DASA, which was granted by the Court on April 21, 2016. On May 3, 2016, the Court issued an Order, which fully and finally approved the DASA and dismissed the Peak Finance and the Spirit Bear cases, with prejudice. On May 17, 2016, the Company filed a document to show cause as to the effect of the Stipulation and Proposed Order Regarding Settlement on the pending Motion to Dismiss Amended Complaint.

Also on May 17, 2016, Peak Finance and the Company filed a Stipulation and Proposed Order to Modify Stay of Proceedings so that the stay issued on January 6, 2016 could be modified to permit the Court to consider the Stipulation and Proposed Order Regarding Settlement and for the Court and all parties to take all necessary actions to seek final approval of a settlement prior to the Court ruling on the pending Motion to Dismiss.

On October 11, 2016, the United States District Court, District of Nevada orally approved the derivative action settlement agreement ("Peak Settlement Agreement") reached in Peak Finance, LLC v. Timothy J. Hassett et. al., Case No. 2:15-cv-01590-GMN-CWH. Noting that no non-party shareholder filed any objections to the Peak Settlement Agreement, the District Court specifically found that it is "fundamentally fair, reasonable and adequate" and serves the best interest of the Company. The Court further directed that counsel for the parties prepare a proposed formal written order finally approving the Peak Settlement Agreement and dismissing the case.

On October 20, 2016, the Derivative Action Settlement Agreement was formally approved and the case was formally dismissed with prejudice.

Subsequent to the dismissal, an Independent Directors Committee consisting of directors Christopher McKee, Richard J. "Dick" Schul and Donald Bowman reviewed the allegations made by Peak Finance, LLC to determine a proper corporate response. On December 6, 2016, a quorum of the members of the Independent Directors Committee met with Peak Finance, LLC in New York City, to fulfill the judges' final orders. No further action is required by the Company in this matter.

On October 7, 2016, the Company received a complaint, Wang et al v. Cool Technologies, Inc. et al, filed on July 28, 2016 in the U.S. District Court for the Eastern District of New York (Brooklyn) Civil docket

#1:16-CV-04101-RRM-PK against the Company and Timothy Hassett, the Company's Chief Executive Officer, alleging damages of \$1,100,000 for inter alia breach of contract for failing to register shares sold to the Plaintiffs in February and March 2014.

On March 30, 2017, the Company and Timothy Hassett, the Company's Chief Executive Officer, requested leave of the court to move to dismiss the matter, on both Substantive and Jurisdictional grounds. On April 13, 2017, the Honorable Roslynn R. Mauskopf granted leave to renew our March 30, 2017 request for a pre-motion conference after the initial conference before Magistrate Judge Kuo. At the initial conference, Corporate counsel informed the court that the Company, in fact, filed a registration statement for said shares in July 2014 and the Warrants were in the possession of Plaintiff Gary Zse Kong J.D. and located on his computer and printed at his office in the Law Offices of Gary Park. Magistrate Judge Peggy Kuo directed plaintiff to file an amended complaint and directed plaintiff Gary Sze Kong to preserve all computer and other records which may still be at the Law Offices of Gary Park. Defendants were also granted leave to subpoena such records if they are no longer under the control of Plaintiff Kong. On June 30th, Plaintiff amended their complaint inter alia admitting that the company filed the registration statement with the SEC. On August 7, 2017, Corporate Counsel requested leave for a pre-motion conference to move to dismiss the matter.

On March 27, 2018, a Subpoena has been issued and served upon the Law Offices of Gary S. Park P.C. On April 3, 2018 counsel for Plaintiffs withdrew and were replaced by Mr. Sang Joon Sim, Esq. of Sim & Record, LLP which shares an address with Mr. Park's law offices.

From time to time, we may be a party to other legal proceedings. Management currently believes that the ultimate resolution of these matters, and after consideration of amounts accrued, will not have a material adverse effect on our consolidated results of operations, financial position, or cash flow.

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Note 7 – Equity

Preferred Stock

The Company has 15,000,000 preferred shares authorized and 33 Series A and 2,727,270 Series B preferred shares issued and outstanding as of December 31, 2017.

On August 12, 2016, the Company entered into a Securities Purchase Agreement with four accredited investors pursuant to which it sold 3,636,360 shares of the Company's Series B Convertible Preferred Stock. Each share of the preferred stock is convertible into one share of company's common stock. The conversion price of the preferred stock is equal to the \$0.055.

In addition to the preferred stock, the Securities Purchase Agreement included warrants to purchase (i) 3,636,360 shares of the Company's common stock at an exercise price of \$0.07 per share. The aggregate purchase price of the preferred stock and warrants was \$200,000, of which \$150,000 was paid in cash and \$50,000 was paid in services.

In connection with the sale of the Preferred Stock, on October 20, 2016, the Company filed with the Secretary of the State of Nevada, an amended Certificate of Designations of the Rights, Preferences, Privileges and Restrictions, which have not been set forth in the Certificate of Designation of the Series B Convertible Preferred Stock nor the first Amendment to Certificate of Designation filed on August 12, 2016.

The preferred stock has the same rights as if each share of Series B Convertible Preferred Stock were converted into one share of common stock. For so long as the Series B Convertible Preferred Stock is issued and outstanding, the holders of such Series B Convertible Preferred Stock vote together as a single class with the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock, with the holders of Series B Stock being entitled to 66 2/3% of the total votes on all such matters.

In the event of the death of a holder of the Class B Preferred Stock, or a liquidation, winding up or bankruptcy of a holder which is an entity, all voting rights of the Class B Preferred Stock shall cease.

The holder of any shares of Class B Preferred Stock have the right to convert their shares into common stock at any time, in a conversion ratio of one share of common stock for each share of Class B Preferred. If the Corporation's common stock trades or is quoted at a price per share in excess of \$2.25 for any twenty consecutive day trading period, the Class B Preferred Stock will automatically be convertible into the common stock of the Corporation in a conversion ratio of one share of Common Stock for each share of Class B Preferred.

The holders of Class B Preferred Stock are not entitled to receive any distributions in the event of any liquidation, dissolution or winding up of the Corporation.

The warrants cannot be exercised on a cashless basis.

On October 31 and November 1, 2016, three of the accredited investors provided \$51,000 to the company and are due to receive an additional 927,270 Series B Preferred shares.

Preferred stock issuable on the consolidated balance sheet represents preferred stock to be issued for either cash received or services performed. As of December 31, 2017 and 2016, the number of shares of preferred stock to be issued was 0 and 927,270 shares, respectively.

Spirit Bear holds 30 shares of our Series A preferred stock and KHIC, Inc., a related party, holds the remaining 3 shares of our Series A preferred stock. Each share of Series A Preferred Stock ("Preferred Stock") is convertible into 50,000 shares of common stock. Each share of Preferred Stock has voting rights as if they were converted into 50,000 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 on any shares of common stock, an amount per preferred share equal to the Preferred Stock Liquidation Price (\$2,500 per share).

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On March 20, 2017, stockholders holding shares that entitled them to exercise at least a majority of the voting power, voted in favor of increasing the number of authorized shares of common stock, from 140,000,000 shares to 350,000,000 shares.

On August 19, 2015, the stockholders voted to increase the number of authorized shares of common stock from 100,000,000 shares to 140,000,000 shares.

Common stock issuable on the consolidated balance sheet represents common stock to be issued for either cash received or services performed. As of December 31, 2017 and 2016, the number of shares of common stock to be issued was 9,320,635 and 821,364 shares, respectively.

Common stock warrants issued with the sale of our common stock

When we sell shares of our common stock the buyer also typically receives fully-vested common stock warrants with a maximum contractual term of 3-5 years. A summary of common stock warrants issued with the sale of our common stock as of December 31, 2017, and changes during the year then ended is presented below:

				Aggregate
	Number of	Weighted-average	Weighted-average	Intrinsic
	Warrants	Exercise Price	Remaining Life	Value
			(Years)	
Outstanding, December 31, 2015	20,726,707	\$ 0.49		
Granted	14,392,309	0.12		
Forfeited or expired	(1,073,549)	0.60		
Outstanding, December 31, 2016	34,045,467	0.30		
Granted	25,941,558	0.08		
Exercised	--	--		
Forfeited or expired	(12,549,437)	0.26		
Outstanding, December 31, 2017	47,437,548	0.19	2.1	\$ 114,000

Exercisable, December 31, 2017	47,437,548	0.19	2.1	\$	114,000
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Note 8 – Share-based payments

Amounts recognized as expense in the consolidated statements of operations related to share-based payments are as follows:

	Year ended December 31,	
	2017	2016
Nonemployee common stock	\$ 139,529	\$ 10,000
Nonemployee preferred stock (Series B)	--	50,000
Nonemployee warrants – fully vested upon issuance	398,398	1,603,025
Nonemployee warrants – service and performance conditions	6,118	20,933
Employee common stock	188,000	277,090
Employee stock options		