

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.

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

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

TABLE OF CONTENTS

Item No.		Page No.
<u>PART I</u>		
<u>1</u>	<u>Business</u>	3
<u>1A</u>	<u>Risk Factors</u>	15
<u>1B</u>	<u>Unresolved Staff Comments</u>	23
<u>2</u>	<u>Properties</u>	23
<u>3</u>	<u>Legal Proceedings</u>	24
<u>4</u>	<u>Mine Safety Disclosures</u>	25
<u>PART II</u>		
<u>5</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	26
<u>6</u>	<u>Selected Financial Data</u>	36
<u>7</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36
<u>7A</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	46
<u>8</u>	<u>Financial Statements and Supplementary Data</u>	47
<u>9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	48
<u>9A</u>	<u>Controls and Procedures</u>	48
<u>9B</u>	<u>Other Information</u>	49
<u>PART III</u>		
<u>10</u>	<u>Directors, Executive Officers and Corporate Governance</u>	50
<u>11</u>	<u>Executive Compensation</u>	55
<u>12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	59
<u>13</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	62
<u>14</u>	<u>Principal Accounting Fees and Services</u>	67
<u>PART IV</u>		
<u>15</u>	<u>Exhibits, Financial Statement Schedules</u>	68
	<u>SIGNATURES</u>	72

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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").

Table of Contents

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.

Table of Contents

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 ("PIIG") 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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 15g-9 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents**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 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 62,500 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 Hoppel 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 750,000 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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,

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

	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%

Table of Contents

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%.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements	Page
<u>Reports of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u>	F-3
<u>Consolidated Statements of Operations for the years ended December 31, 2017 and 2016</u>	F-4
<u>Consolidated Statement of Stockholders' Deficit from December 31, 2015 through 2017</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016.</u>	F-6
<u>Consolidated Notes to Financial Statements</u>	F-7

Table of Contents

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

F-1

Table of Contents

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

F-2

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

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

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.

F-3

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	Accumulated
	Shares	Amount	Shares	Amount	Paid-in	Stock	Stock	Stock	Deficit
					Capital	Issuable	Issuable	Held in 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		--

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

F-12

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

	Number of Warrants	Weighted-average Exercise Price	Weighted-average Remaining Life (Years)	Aggregate Intrinsic Value
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

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

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

F-16

Table of Contents

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.

Table of Contents

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.

Table of Contents

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).

Table of Contents**Common stock**

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:

	Number of Warrants	Weighted-average Exercise Price	Weighted-average Remaining Life (Years)	Aggregate Intrinsic Value
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
-----------------------------------	------------	------	-----	----	---------

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 – market price-based	--	327,000
Total share-based expense charged against income	\$ 732,045	\$ 2,288,048
Impact on net loss per common share:		
Basic and diluted	\$ (0.01)	\$ (0.05)

Table of Contents*UPT management agreement*

In July, 2014, we entered into a three year agreement with the company managing the operations of UPT, whereby we would issue common stock under the following conditions:

Condition	Number of Shares
UPT recognizes \$100 million of revenue or a change in control	500,000
UPT recognizes \$100 million of revenue	150,000
	650,000

As of December 31, 2017 and 2016, meeting these conditions was not deemed probable, so no expense was recognized under this agreement and no common stock was issued. The fair value of these unearned shares of common stock was \$58,500 as of December 31, 2017.

In July, 2014, we entered into a three year agreement with the company managing the operations of UPT, whereby we would issue common stock warrants under the following conditions:

Vesting Condition	Category	Number of Warrants
Fully vest upon UPT generating \$1 million of revenue	Performance	350,000
45,945 warrants for every \$3 million of revenue generated by UPT up to \$100 million	Performance	1,530,000
60,000 warrants for every three months of completed service managing UPT	Service	720,000
		2,600,000

The common stock warrants have a three year life and an exercise price of \$1.00 per share. The grant date fair value was \$2,586,000. As of December 31, 2017, we did not conclude that meeting the performance conditions was probable, so no expense was recognized and no common stock warrants vested. During the year ended December 31, 2017, 120,000 of the common stock warrants under the service condition vested with the passage of time and we recognized expense of \$6,118. During the year ended December 31, 2016, 240,000 of the common stock warrants under the service condition vested with the passage of time and we recognized expense of \$20,933. As of December 31, 2017, the fair value of the 1,880,000 unvested common stock warrants, which is also the estimated unrecognized expense, was \$84,693. We cannot estimate the period over which the expense for the performance awards will be recognized, if at all. There is no remaining service award expense to recognize.

Nonemployee common stock

Investor relations agreement

In January, 2016, we entered into a 2 month agreement with a company, which subsequently became a shareholder, to provide corporate consulting, communications and market outreach services. Under the terms of this agreement we agreed to pay \$25,000 in fees and agreed to issue a total of 300,000 one year warrants with an exercise price of \$0.18 per share through February 2016.

In March 2016, we renewed the agreement for a period ending December 31, 2016. Under the terms of this renewal, we agreed to pay a total of \$102,000 in fees and agreed to issue a total of 425,000 shares of restricted common stock per and 575,000 warrants with an exercise price of \$0.40 per share. We recognized expense of \$70,151 during the year ended December 31, 2016.

Table of Contents*Financial advisory agreements*

During the quarter ended June 30, 2015, we entered into separate agreements with three companies, which subsequently became shareholders, to provide financial advisory services, including developing, studying and evaluating a financing plan, strategic and financial alternatives, and merger and acquisition proposals. Under the terms of the agreements, we agreed to issue an aggregate of 333,332 shares of common stock each month through June 2016, as services were delivered, for a total of 5,000,000 shares over the term of the agreements. These agreements may be canceled by either party with a 30 day notice. During the three months ended June 30, 2015, we recorded expense at fair value of \$510,007 for the issuance of 1,000,013 shares. If the services are provided and the agreements are not canceled, an additional 3,999,987 shares remain to be issued. At management's request, no further services have been provided, and no stock was earned or issued under these agreements after June 30, 2015.

Other

During the years ended December 31, 2017 and 2016, we issued or accrued an additional 4,651,525 and 2,859,909 shares of common stock in exchange for services, with a fair value of \$364,530 and \$360,000, respectively.

Nonemployee common stock warrants -- Fully-vested upon issuance

We may issue fully-vested common stock warrants with a maximum contractual term of 5 years to non-employees in return for services or to satisfy liabilities, such as accrued interest. The following summarizes the activity for common stock warrants that were fully-vested upon issuance:

			Aggregate
	Number of	Weighted-average	Intrinsic
	Warrants	Exercise Price	Remaining Life
		(Years)	Value
Outstanding, December 31, 2015	7,664,568	\$ 0.72	
Granted	5,749,503	0.49	
Exercised	--	--	
Forfeited or expired	(2,548,000)	1.09	
Outstanding, December 31, 2016	10,866,071	0.49	

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

Granted	5,550,000	0.08		
Forfeited or expired	(3,470,235)	.59		
Outstanding, December 31, 2017	12,945,836	0.29	2.3	\$ 46,000
Exercisable, December 31, 2017	12,945,836	0.29	2.3	\$ 46,000

The following summarizes the Black-Scholes assumptions used to estimate the fair value of fully-vested common stock warrants:

	Year ended December 31,	
	2017	2016
Volatility	144–155%	102–272%
Risk-free interest rate	1.2–2.2%	0.5--1.5%
		1.0 --
Expected life (years)	2.4 – 5.0	5.0
Dividend yield	--	--

No fully-vested common stock warrants were exercised in 2017 and 2016.

Nonemployee common stock warrants -- Service and performance conditions

The following summarizes the terms for warrants we granted that are subject to performance and service conditions.

Table of Contents*Financing advisory services*

In March, 2014, we entered into an agreement with a company, which is also a shareholder, to provide financing advisory services, in return for 400,000 common stock warrants having a five year life and an exercise price of \$2.50, with vesting in March, 2015 upon satisfactory performance under the agreement. In addition, a second issuance of 400,000 warrants with an exercise price of \$2.50 would be due on the one year anniversary of the execution of the agreement. As of December 31, 2014, we deemed it probable that the vesting conditions will be met. Accordingly, during the year ended December 31, 2014, we recognized expense of \$200,379. When the warrants vested in March 2015, the fair value was \$179,964. The change in fair value between December 31, 2014 and March 2015, of \$20,415 was recognized as a reduction of expense in 2015. The grant date fair value of these warrants was \$352,000.

In May of 2015, the exercise price of the first and second issuance of warrants was reduced to \$0.45. The fair value of the first issuance increased from \$180,484 to \$188,525 and the second issuance increased from \$203,010 to \$203,569.

In January of 2016, the exercise price of the first and second issuance of warrants was reduced from \$0.45 to \$0.30. The fair value of the first issuance decreased from \$188,525 to \$54,950 and the second issuance decreased from \$203,569 to \$74,464.

Summary

The following summarizes the activity for warrants that have performance and service conditions. There were no grants in 2017.

	Number of Warrants	Weighted-average Exercise Price	Weighted-average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2016	3,400,000	0.84		
Granted	--	--		
Forfeited or expired	(120,000)	1.00		
Outstanding, December 31, 2017	3,280,000	0.83	0.3	
	1,280,000	\$ 0.56	0.7	\$ --

Exercisable, December 31,
2017

The following summarizes the status of our nonvested common stock warrants with performance and service conditions as of December 31, 2017, and changes during the year then ended:

	Number of Warrants	Weighted-average Grant Date Fair Value
Non vested, December 31, 2016	2,000,000	\$ 0.99
Vested	(120,000)	0.99
Non vested, December 31, 2017	1,880,000	\$ 0.99

The following summarizes the Black-Scholes assumptions used to estimate the fair value of warrants with performance and service conditions:

	Year ended December 31,	
	2017	2016
	141 --	121 --
Volatility	144%	148%
	1.5 --	0.7 --
Risk-free interest rate	1.6%	1.5%
Expected life (years)	3.0	3.0
Dividend yield	--	--

Table of Contents***Legal settlement – Replacement warrants***

Under the First Amendment to Settlement Agreement (the "Amendment") with Spirit Bear, we agreed to issue replacement warrants for certain previously-issued warrants. The 7,000,000 previously-issued warrants were issued in 2012, had exercise prices ranging from \$0.35 to \$0.75 per warrant, and expiration dates from April 2015 to April 2017. All of the replacement warrants have an exercise price of \$0.25, while 6,000,000 expire in January 2017 and 1,000,000 expired in December 2015.

Under the terms of the February 2016 Waiver of Performance and Second Amendment to Settlement Agreement with Spirit Bear, we agreed to issued replacement warrants for previously amended and replaced warrants. Six million of the previously amended and replaced warrants owned by Spirit Bear and by Leonora Lorenzo had their expiration dates extended from January 29, 2017, until January 29, 2020, and had their exercise price reduced from \$0.25 to \$0.10 per share.

In addition, Spirit Bear consented to the withdrawal of a Registration Statement on Form S-1 that was pending before the Securities Exchange Commission (SEC). The proposed registration statement covered the common shares underlying the preferred shares owned by Spirit Bear and the common shares underlying the warrants owned by Spirit Bear and Leonora Lorenzo.

When a replacement equity instrument is issued, expense is recorded if the fair value of the new instruments is greater than the fair value of the original instruments. We recorded expense of \$423,973 associated with the replacement warrants. The following summarizes the Black-Scholes assumptions used to estimate the fair value of the previously-issued warrants and the replacement warrants:

	Previously-issued	Replacement
Volatility	206%	151%
Risk-free interest rate	0.5%	1.3%
Expected life (years)	0.2	3.2
Dividend yield	--	--

Employee stock options – Fully-vested upon grant

We granted stock options to certain members of management in 2014 that were fully-vested at the date of grant. There were no grants in 2016 or 2017. In 2016, one member resigned and released the Company from all incentive

compensation it owed to him including stock options. The following is a summary of fully-vested stock option activity with the resigning member's stock options removed for 2016:

	Number of Shares	Weighted-average Exercise Price per Share	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2015 and 2014	5,000,000	2.00		
Stock options forfeited	(1,000,000)	\$ 2.00		
Outstanding, December 31, 2016	4,000,000	2.00	--	\$ --
Outstanding, December 31, 2017	4,000,000	2.00	--	--
Exercisable, December 31, 2017	4,000,000	\$ 2.00	--	\$ --

Table of Contents

The following summarizes the Black-Scholes assumptions used to estimate the fair value of fully-vested stock option grants:

	Year ended December 31, 2014
Volatility	325%
Risk-free interest rate	2.7%
Expected stock option life (years)	10
Dividend yield	--

We recognized expense at a fair value of \$7,950,000 in the years ended December 31, 2014, for fully-vested stock option grants.

Employee stock options – Market price-based grants

We granted stock options in 2012 to a member of management that vest upon the achievement of certain stock prices for 20 days. He resigned effective October 1, 2016 and released the Company from all obligations to him including stock options.

As of December 31, 2017, there were no market price-based stock options.

Note 9 – Income Taxes

The components of our deferred tax asset are as follows:

	December 31,	
	2017	2016
Net operating loss carryforwards	\$ 6,140,045	\$ 8,194,178
Equity-based instruments	6,458,977	9,629,824
Accrued liabilities	133,105	126,765
Deferred Revenue	96,311	150,520

Edgar Filing: COOL TECHNOLOGIES, INC. - Form 10-K

Pass-through losses	78,682	182,966
Valuation allowance	(12,907,120)	(18,284,253)
Deferred tax asset	\$ --	\$ --

Effective January 1, 2018, the Federal corporate income tax rate has been decreased from 34% to 21%. The effect of this change on deferred taxes and the valuation allowance at December 31, 2017 was approximately \$6.5 million. The NOLs that have been generated 12/31/2017 and prior are going to be 100% allowable against future income, provided that they do not expire. NOLs generated 1/1/2018 and forward will be subject to the 80% limitation.

A reconciliation of income taxes computed at the statutory rate to the income tax amount recorded is as follows:

	Year ended December 31,	
	2017	2016
Income tax benefit at statutory rate	\$ (1,724,214)	\$ (291,001)
State income tax, net of Federal benefit	(184,085)	(31,069)
Tax Jobs and Cuts Act	6,256,223	--
Convertible debt	988,938	(1,496,427)
Other adjustments	40,037	(94,809)
Meals and entertainment	235	42
Increase in valuation allowance	(5,377,133)	1,913,264
Income tax benefit	\$ --	\$ --

Table of Contents

We had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. We have not accrued any interest or penalties associated with income taxes. We file income tax returns in the United States federal jurisdiction. With few exceptions, we are no longer subject to U.S. federal, state or non-U.S. income tax examination by tax authorities on tax returns filed before January 31, 2011. No tax returns are currently under examination by any tax authorities.

Note 10 – Net Loss per Share

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

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

	Year ended December 31,	
	2017	2016
Net loss available for stockholders	\$ (5,059,326)	\$ (844,169)
Weighted average outstanding shares of common stock	130,188,614	84,894,351
Dilutive effect of stock options and warrants	--	--
Common stock and equivalents	130,188,614	84,894,351
Net loss per share – Basic and diluted	\$ (0.04)	\$ (0.01)

Outstanding stock options and common stock warrants are considered anti-dilutive because we are in a net loss position. The following summarizes equity instruments that may, in the future, have a dilutive effect on earnings per share:

	December 31,	
	2017	2016
Stock options	4,000,000	4,000,000
Common stock warrants	75,404,803	59,932,917
Common stock issuable	9,320,635	821,364
Convertible notes	24,359,499	19,287,020
Convertible preferred stock	4,377,270	9,436,360
Convertible preferred stock issuable	--	927,270

Total	117,462,207	94,404,931
Total exercisable at December 31	108,141,572	89,019,937

Note 11 – Subsequent Events

The Company has evaluated all the events or transactions that have occurred since December 31, 2017 and determined that the following should be disclosed:

On January 2, 2018, 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 January 5, 2018, we issued 1,500,000 shares of our common stock upon 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.

Table of Contents

On January 18, 2018, the company signed an agreement with Aon Risk Services Central, Inc. and Lee and Hayes, PLLC, through its operating unit, 601West, which provides intellectual property (IP) analytics, to assess the value of CoolTech's Intellectual Property (IP). As set forth in the agreement, the assessment will be founded on historically demonstrated or contractually committed profit-earning capacities of our IP and may be used to obtain financing, including but not limited to, non-dilutive financing.

January Convertible Note – On January 26, 2018, the Company entered into a convertible note agreement. We issued 800,000 inducement shares of restricted common stock and received \$200,000, with an original issue discount of \$20,000 in lieu of interest, for a total amount of \$220,000 due on August 26, 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 \$0.05 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 12, 2018, 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 \$0.0714 per share, to Summit Management Consulting, the company who provides the services of our Chief Financial Officer, Quentin Ponder, in exchange for \$50,000 in accrued salary. The warrant may be exercised on a cashless basis.

On February 12, 2018, 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 \$0.0714 per share, to our Secretary and Vice President, Judson Bibb, in exchange for \$50,000 in accrued salary. The warrant may be exercised on a cashless basis.

On February 19, 2018, the Company signed an amendment to a convertible note for \$165,000 originally issued on August 24, 2017 to Lucas Hoppel. The amendment extended the maturity date from March 24, 2018 to April 30, 2018. In exchange the conversion price was reduced from \$0.05 to \$0.025 per share.

On February 19, 2018, the Company signed an amendment to a convertible note for \$226,325 originally issued on September 3, 2017. The amendment extended the maturity dated extended to March 31, 2018. In exchange, the conversion price was reduced from \$0.04 to \$0.025. The convertible note was originally issued to Gemini Master Fund, Ltd. On November 13, 2017, Lucas Hoppel purchased the note.

On February 19, 2018, the Company signed an amendment to a convertible note for \$141,625 originally issued on February 3, 2017. The amendment extended the maturity date to March 31, 2018. In exchange, the conversion price was reduced from \$0.04 to \$0.025 per share. The convertible note was originally issued to Black Mountain Equities, Inc. On November 1, 2017, Lucas Hoppel purchased the note.

February Convertible Note – On February 19, 2018, the Company entered into a convertible note agreement. We issued 2,000,000 inducement shares of restricted common stock and received \$350,000, with an original issue discount of \$35,000 in lieu of interest, for a total amount of \$385,000 due on September 19, 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 \$0.05 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 20, 2018, we issued 1,500,000 shares of our common stock upon 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 partial conversion of \$37,500 on convertible debt of \$141,625 by Lucas Hoppel.

On February 21, 2018, we issued for consideration of \$11,670, 233,333 shares of our common stock and a three year warrant to purchase 116,667 shares of our common stock at a an exercise price of \$0.05 to Eric Brown, a 5% stockholder. The warrant expires on February 21, 2021 and may be exercised on a cashless basis.

Table of Contents

On February 21, 2018, we issued for consideration of \$11,670, 233,333 shares of our common stock and a three year warrant to purchase 116,667 shares of our common stock at an exercise price of \$0.05 to Christopher Jones, a 5% stockholder. The warrant expires on February 21, 2021 and may be exercised on a cashless basis.

On February 25, 2018, we sold a total of 600,000 shares of common stock and a five-year warrant to purchase 600,000 shares of our common stock at an exercise price of \$0.0714 per share, to Summit Management Consulting, the company who provides the services of our Chief Financial Officer, Quentin Ponder, in exchange for \$30,000 in accrued salary. The warrant may be exercised on a cashless basis.

On February 26, 2018, we issued 1,428,571 shares of our common stock to an accredited investor as a result of a private offering. A five year warrant to purchase 428,571 shares of our common stock at an exercise price of \$0.075 was issued on September 13, 2017. We received \$100,000 as consideration for the sale of such securities.

On February 26, 2018, we issued 3,428,571 shares of our common stock to an accredited investor as a result of a private offering. A five year warrant to purchase 1,071,429 shares of our common stock at an exercise price of \$0.075 was issued on September 13, 2017. We received \$250,000 as consideration for the sale of such securities.

On February 26, 2018, we issued 909,091 shares of our common stock to an accredited investor as a result of a private offering. A three year warrant to purchase 909,091 shares of our common stock at an exercise price of \$0.10 was issued on September 29, 2017. We received \$50,000 as consideration for the sale of such securities.

On February 26, 2018, we issued 1,250,000 shares of our common stock to an accredited investor as a result of a private offering. A three year warrant to purchase 1,250,000 shares of our common stock at an exercise price of \$0.12 was issued on December 13, 2017. We received \$100,000 as consideration for the sale of such securities.

On February 26, 2018, we issued 1,250,000 shares of our common stock to an accredited investor as a result of a private offering. A three year warrant to purchase 1,250,000 shares of our common stock at an exercise price of \$0.12 was issued on December 13, 2017. We received \$100,000 as consideration for the sale of such securities.

On February 27, 2018, we issued 441,727 shares of common stock to Lucas Hoppel as per the Securities Purchase Agreement we signed on August 25, 2017. The agreement called for the issuance of 600,000 inducement shares price at the market price on the closing date. In the event the stock price declined over a six month period, the company was required to issue additional shares such that the current aggregate value of the inducement shares equaled the

aggregate value of the inducement shares as of the closing date.

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 final conversion of \$41,325 on convertible debt of \$226,325 by Lucas Hoppel and the note was retired.

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 and the note was retired.

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.

On March 27, 2018, Gemini Master Fund, a 10% shareholder, exercised a warrant to purchase 13,671,379 shares by cashless exercise which resulted in the issuance of 9,603,662 shares of common stock. Gemini has no more warrants outstanding.

On March 28, 2018, we sold a total of 1,111,111 shares of our common stock and a five-year warrant to purchase 1,111,111 shares of our common stock at an exercise price of \$0.10 per share to Abdalla Bamashmus, a 5% shareholder, in a private offering. We received \$50,000 as consideration for the sale of such securities..

On April 4, 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 April 9, 2018, we received a purchase order from Jatropa Inc for 10 Ford F-350's with 80 kVA mobile generation (MG) systems installed. The order is the first part of the purchase commitment for 234 units that Jatropa has with the Company. The total value of the order is in excess of \$1 million.

On April 10, 2018, we issued 2,025,000 shares of our common stock upon partial conversion of \$50,625 on convertible debt of \$374,872 by KHIC, LLC.

F-28

Table of Contents

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

On January 31, 2018, Cool Technologies, Inc. (the "Registrant") dismissed Anton and Chia, LLP ("Anton and Chia") as the Registrant's independent registered public accounting firm. The dismissal of Anton and Chia was approved by the Registrant's Board of Directors.

Anton and Chia, LLP was the independent registered public accounting firm for the Registrant from October 17, 2013 until its dismissal effective January 31, 2018.

The reports on the Company's consolidated financial statements as of and for the years ended December 31, 2015 and 2016 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the Company's audited financial statements contained in its Form 10-K for the years ended December 31, 2015 and 2016 included a going concern qualification.

During the interim period ended December 31, 2013 as well as the years ended December 31, 2014, 2015, 2016 and 2017 in the subsequent interim period through January 31, 2018, the date of dismissal of the former accountant, there were no (a) disagreements with the former accountants, Anton & Chia, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter thereof in connection with its reports for such years or (b) reportable events, as described under Item 304(a)(1)(v) of Regulation S-K.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management does not expect that its internal controls over financial reporting will prevent all error and all fraud. Control systems, no matter how well conceived and managed, can provide only reasonable assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake.

Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Table of Contents

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of December 31, 2017. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, based on the material weaknesses discussed below, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Act Commission's rules and forms and that our disclosure controls are not effectively designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

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

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because we have only four officers and limited personnel, the Company's internal controls are not effective for the following reasons, (1) we have limited entity-level controls because of the limited time and abilities of the four officers, (2) we have not implemented adequate system and manual controls, and (3) there is no separate audit committee. As a result, the Company's internal controls have inherent material weaknesses which may increase the risks of errors in financial reporting under current operations and, accordingly, are not effective as evaluated against the criteria set forth in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Based on our evaluation, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2017.

Even though there are inherent weaknesses, management has taken steps to minimize the risk. We use a third party consultant to review transactions for appropriate technical accounting, reconcile accounts, review significant transactions and prepare our financial statements. Invoices and other bookkeeping matters are reviewed by a third party Certified Fraud Examiner. Any deviation or errors are reported to management.

(c) Remediation of Material Weaknesses

We can provide no assurance that our internal controls over financial reporting will be compliant in the near future. As revenues permit, the Company will enhance its internal controls through additional software and other means. If and when it becomes a listed company under SEC rules, the Company will create an audit committee comprised of independent directors.

(d) Changes in Internal Control over Financial Reporting

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

Item 9B. Other Information.

None.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

The following table sets forth the names, ages and positions of our current board members and executive officers:

Name	Age	Position(s)
Timothy Hassett	57	Chairman and Chief Executive Officer and Director
Quentin Ponder	88	Vice Chairman Chief Financial Officer and Director
Judson Bibb	61	Vice President, Secretary and Director
Mark Hodowanec	53	Chief Technical Officer
Christopher McKee	49	Director
Richard "Dick" Schul	71	Director
Donald Bowman	49	Director
Daniel Ustian	67	Director

Our directors are elected for a term of one year and serve such director's successor is duly elected and qualified. Each executive officer serves at the pleasure of the Board.

The Company has no nominating, audit or compensation committees at this time.

BACKGROUND INFORMATION

The following summarizes the occupational and business experience of our officers and directors.

Timothy Hassett is a co-founder of the Company and has been its Chairman since its inception and Chief Executive Officer since April 5, 2012. Mr. Hassett began his career as a marketing and business manager, for Rockwell Automation Incorporated's Motor Special Products division from 1990 to 1995, where he launched new product platforms and developed and implemented global distribution initiatives and channels. Mr. Hassett worked at General Electric from January 1996 to February 1998, as a general manager of Distribution Services in the Industrial Systems Division and from February 1998 to March 2000, in the Electric Motors Unit of the Industrial Systems Division where

he restructured the unit, consolidated product lines and grew the business. From March 2000 to August 2003, he served as President of Hawk Motors and Rotors, a division of Hawk Corporation, a brake manufacturer, where he restructured the company. From August 2003 to October 2005, Mr. Hassett served as Vice President and General Manager of Wavecrest Laboratories, a propulsion systems and controls start-up, where he led the development and launch of four new product platforms. From June 2006 to October 2010, Mr. Hassett served as President and Managing Director of LEMO USA, a Swiss-based connector company, where he restructured the company, helped contain costs and improved operating margins and business. From December 2010 to October 2011, Mr. Hassett served as President of Cavometrix, a connector company serving the medical, energy and alternative energy industries. Mr. Hassett has a BS in Mechanical Engineering from Cleveland State University and a BS in Physics from Youngstown State University. Mr. Hassett's patents and patents pending and his extensive experience and professional contacts in the electric motor industry led to the decision to appoint him to the Board.

Table of Contents

Quentin Ponder has served as President from October 20, 2011 until April 5, 2012, Secretary from October 20, 2011 until November 11, 2011 and Treasurer of the Company since October 20, 2011. On April 5, 2012, Mr. Ponder was appointed Chief Financial Officer and Vice Chairman. Mr. Ponder is a seasoned executive with over 40 years of management experience. From November 1962 to July 1967, Mr. Ponder served as Senior Manufacturing Engineer at General Electric where he worked in the development of a flow manufacturing system. From July 1980 to June 1985, he was President of Franklin Electric, Inc., an electric motor company, where he restructured the company which became a global leader in submersible motors for water wells. From July 1985 to March 1990, Mr. Ponder was President of Baldor Electric, Inc., an electric motor company, where he restructured the company. From April 1990 to May 1997, Mr. Ponder worked for Lincoln Electric, Inc., as a consultant. From May 1990 to the present, Mr. Ponder has worked as an independent management consultant. Mr. Ponder serves as a director and is a 33.3% owner of Reliable Electric Motor Company, Inc., an electric motor importer. Mr. Ponder is the sole owner and a director of Summit Management Consulting, Inc. and Capital Alternatives, Inc., a semi-trailer leasing company. Mr. Ponder earned a Ph.D. from Columbia University in general management, accounting, and economics. Mr. Ponder's extensive experience in the electric motor industry led to the decision to appoint him to the Board.

Judson W. Bibb has been a director of the Company since April 15, 2011. Mr. Bibb was appointed Secretary on November 11, 2011 and Vice President on April 5, 2012. He has worked exclusively for the Company since 2013. Prior to that, Mr. Bibb was a self-employed freelance multi-media producer since 1983. His services include: producer, writer, director, cinematographer, videographer, still photographer, audio and video editor, voiceover talent, marketer, ad designer and Internet search engine optimizer. Over the past five years, he has worked as a writer and director for Image Alliance Inc., writing and producing segments for KPMG, T. Rowe Price, Agstar Financial Services, Briggs & Stratton, Caterpillar, Georgia-Pacific, Lowes, Alaska Air, Pepsico, Hewlett-Packard, Bayer, Caremark, WellPoint and T-Mobile. Mr. Bibb graduated cum laude from the University of South Florida with a B.A. in mass communications-film. Mr. Bibb's broad background and wide variety of resources, including experience in marketing and public relations and business experience in automotive, trucking, electronics, retail, direct response and the Internet led to the decision to appoint him to the Board.

Mark Hodowanec has been Chief Technical Officer of the Company since February 14, 2014. Mr. Hodowanec was a program manager and lead engineer for Curtiss-Wright Corporation from September 2006 through February 2014. From May 2004 through September 2006 he operated his own consulting firm, MMH Consulting, assisting research and development, and product development companies develop custom motors solutions. From September 2004 through October 2005, Mr. Hodowanec worked at Wavecrest Laboratories. From May 1994 through February 2004, Mr. Hodowanec was at Siemens Energy & Automation as a Manager, Mechanical Engineering. Mr. Hodowanec received a B.S. and M.S. degree in mechanical engineering from the University of Akron and his M.B.A. from Xavier University.

Christopher McKee has been a director of the Company since August 19, 2015. Mr. McKee joined GTT Communications, Inc. ("GTT") (NYSE GTT) in 2008 and is GTT's General Counsel and EVP, Corporate Development and Corporate Secretary for the GTT Board. Mr. McKee is responsible for all the company's corporate legal requirements, human resources and supplier management. Mr. McKee also oversees the development of strategic business opportunities for the company, including all merger and acquisition activities. Mr. McKee has over 20 years

of broad legal experience in the telecommunications industry. Prior to joining GTT, he served as General Counsel for StarVox Communications where he was responsible for the company's legal department, mergers and acquisitions, employment law, litigation, and legal support for the sales teams. Mr. McKee also formerly served as Vice President and Assistant General Counsel for Covad Communications where he headed its Washington, DC office and directed its federal and state regulatory compliance and advocacy efforts. Mr. McKee previously worked for XO Communications, Net2000 Communications and was in private practice in Washington, DC as an associate at Dickstein Shapiro and Cooley LLP. Mr. McKee earned a law degree from Syracuse University and received his Bachelor of Arts from Colby College. Mr. McKee's background of supply chain, micro-cap and small cap as well as his M&A background and his knowledge and experience of regulatory compliance and company legal structure led to the decision to appoint Mr. McKee to the board.

Richard J. "Dick" Schul has been a director of the Company since August 19, 2015. Since November 2013, Mr. Schul has been an independent management consultant providing management and strategic planning services to company executives. Mr. Schul started his career with Emerson Electric in St. Louis in 1981, where he held positions of increasing responsibility throughout, including marketing manager, director of marketing and vice president of marketing for Emerson Motors (a global leader in generator technology) through 1989. In 1990, Mr. Schul was named president of Alco Controls Division of Emerson in Maryland Heights. In 1997, Mr. Schul was named president of Emerson's Air Moving Motors Division. In 1998 Mr. Schul was named president of Specialty and Air Moving Motors and in 2000 was named group vice president of Emerson's Commercial Industrial Motors group. In 2004, Mr. Schul was named group vice president of Emerson Climate Technologies. Mr. Schul received the Richard Schultz award and the Distinguished Service Award (highest award given by the Air Conditioning, Heating, and Refrigeration Institute in November 2011). Mr. Schul retired from Emerson in November 2011 after 43 years in the HVACR industry. Mr. Schul continued to work part-time as a consultant for Emerson through 2013. Mr. Schul graduated from Indiana Institute of Technology with a BS in Mechanical Engineering in 1969 and an MBA from the University of Dayton in 1976. Mr. Schul's background in the motor and generator industries as well as his business relationships led to the decision to appoint Mr. Schul to the board.

Table of Contents

Donald L. Bowman has been a director of the Company since August 19, 2015. Mr. Bowman has been Chief Executive Officer of BVU Authority (formerly known as Bristol Virginia Utilities) since November 2013. BVU Authority is a utility system that provides electric, water, wastewater and fiber optic telecommunication and information services to the City of Bristol and the surrounding area. From 2011 to November 2013, Mr. Bowman provided consulting services to the legal industry and various California businesses. Mr. Bowman served as Operations and Business Development Manager and consultant to the General Manager of Lemo USA Inc., from 2006-2011. Prior thereto from 2004 to 2006, Mr. Bowman served as Vice President and General Counsel of WaveCrest Laboratories LLC, a technology company in Northern Virginia ("WaveCrest"). Prior to WaveCrest, Mr. Bowman served as Associate General Corporate Counsel of MeadWestvaco from 2001 to 2004. Mr. Bowman was an associate at the law firm of Dickstein Shapiro in Washington D.C. from 1999 to 2001. Mr. Bowman's has a Juris Doctorate from the University of Virginia School of Law (1998), a Master in Engineering Management from the Florida Institute of Technology (1993), a Master in Civil and Environmental Engineering from Old Dominion University (1992), and a Bachelor of Science in Civil Engineering with Highest Honors from Virginia Military Institute (1990). He is a licensed professional engineer in the state of Virginia. He has been a registered patent attorney with the U.S. Patent and Trademark Office for over fourteen years. Mr. Bowman served five years on active duty as an officer with the United States Navy and retired as Commander from the U.S. Naval Reserves in 2011. Mr. Bowman's business and legal background led to the decision to appoint Mr. Bowman to the board.

Daniel C. Ustian has been a director of the Company since August 19, 2015. Mr. Ustian served as the Chairman of the Board of Navistar International Corporation, a holding company of Navistar, Inc. from February 17, 2004 until August 2012 and its Chief Executive Officer since February 19, 2003 and President from April 2002 to August 2012. Mr. Ustian served as the Chief Operating Officer of Navistar, Inc. and Navistar International Corporation from April 2002 to February 2003. Prior to this, Mr. Ustian served as the President of the Engine Group of Navistar, Inc. from 1999 to 2002. He served as Group Vice President and General Manager of Engine & Foundry from 1990 to 1999. Mr. Ustian served as a Director of AGCO Corporation from March 17, 2011 to October 25, 2012. Mr. Ustian served as a Director of Monaco Coach Corp. from June 2003 to June 4, 2009. He is a Member of the Society of Automotive Engineers and the American Foundry Association and participates in the Electrical Council for the Economy. He was a Member of the Business Roundtable, Society of Automotive Engineers. Mr. Ustian holds a Bachelor's degree in Business Administration from DePaul University in 1972. Mr. Ustian's business experience led to the decision to appoint Mr. Ustian to the board.

Family relationships

There are no family relationships among any of our officers or directors.

Involvement in legal proceedings

Other than described above in "Legal Proceedings", there are no legal proceedings that have occurred within the past ten years concerning our directors, or control persons which involved a criminal conviction, a criminal proceeding, an administrative or civil proceeding limiting one's participation in the securities or banking industries, or a finding of securities or commodities law violations, except for one of our directors, Daniel Ustian.

Mr. Ustian was Chairman and CEO of Navistar International Corporation from 2003 to 2012. The SEC filed a claim against Navistar and Mr. Ustian in March 2016 regarding proper disclosure of the difficulty Navistar was having in meeting emissions regulations on one of their truck models.

Navistar chose to settle this claim, without admitting or denying the charges, by paying a penalty. Mr. Ustian disagrees with the claims and decided not to settle.

Table of Contents

The complaint alleges that Ustian violated Section 10(b) of the Exchange Act and Rules 10b-5 and 13a-14 thereunder and Section 17(a) of the Securities Act and that he is liable as a control person under Section 20(a) of the Exchange Act and for aiding and abetting Navistar's uncharged violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 17(a)(1) of the Securities Act, and its separately charged violations set forth in a settled order with Navistar.

Mr. Ustian is contesting all of these claims. Discovery on this civil action has been set to conclude in May 2018. A trial date has not been set.

Committees of the Board of Directors

The Company does not have an audit committee. We are not a "listed company" under SEC rules and are therefore not required to have an audit committee comprised of independent directors.

We do not currently have a "financial expert" within the meaning of the rules and regulations of the SEC.

The Company has no nominating or compensation committees at this time. The entire Board participates in the nomination and audit oversight processes and considers executive and director compensation. Given the size of the Company and its stage of development, the entire Board is involved in such decision making processes. Thus, there is a potential conflict of interest in that our directors and officers have the authority to determine issues concerning management compensation, nominations, and audit issues that may affect management decisions. We are not aware of any other conflicts of interest with any of our executive officers or directors.

Board of Advisors

The Company has a Board of Advisors which currently consists of seven members. Scott Van Dorn (appointed March 18, 2014), currently engineering director at Navistar Corporation, has more than 20 years of experience in global engineering and management in vehicles, engines electronics and design. Richard Schul (appointed December 31, 2013) is a veteran of the motor/generator industry. The other members include: Bill Finley (appointed July 7, 2014), Chief Technology Officer of Siemens Industry Drive Technology; Dan Ustian (appointed September 10, 2014), a former chief executive officer of Navistar; Chris McKee (appointed June 1, 2014), executive vice president and general counsel of GTT; Andrew Scherr (appointed May 21, 2014), an investor, entrepreneur and strategic consultant; Gurminder Bedi (appointed January 1, 2016), managing partner at Compass Acquisitions, LLC; and Mark Steele

(appointed May 9, 2017), CEO, president and co-owner of Craftsmen Industries, Inc.

Upon the signing of an Advisory Board Agreement, the Company issues a non-qualified 30-month warrant to purchase 200,000 shares of the Company's common stock at an exercise price that has varied from \$0.24 to \$0.80 per share depending on the Company's current share price. The warrant is immediately exercisable.

Code of Ethics

The Company has adopted a Code of Ethics that establishes the standards of ethical conduct applicable to all directors, officers and employees of the Company, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. A copy of our Code of Ethics is available on our web site at www.cooltechnologiesinc.com. We will provide a copy of our Code of Ethics free of charge to any person who requests a copy. Requests should be directed to the Secretary at Cool Technologies, Inc., 8875 Hidden River Parkway, Suite 300, Tampa, Florida 33637, or by telephone at (813) 975-7467.

Table of Contents

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than 10% percent of our equity securities ("Reporting Persons") to file reports of ownership and changes in ownership with the SEC. Based solely on our review of copies of such reports and representations from the Reporting Persons, we believe that during the fiscal year ended December 31, 2017:

- Sprit Bear Ltd., when a 10% shareholder, failed to timely file one Form 4 to report the disposition of 110,200 shares of common stock.
- KHIC LLC failed to timely file one Form 4 to report
 - o the purchase of 650,000 shares of common stock,
 - o the acquisition of 3 shares of Series A Preferred Stock,
 - o the purchase of call right to purchase 4,000,000 shares of common stock at an exercise price of \$0.05 per share,
 - o the purchase of warrants to purchase 4,000,000 shares of common stock at an exercise price of \$0.06 per share,
 - o the purchase of warrants to purchase 650,000 shares of common stock at an exercise price of \$0.12 per share, and
 - o the purchase of warrants to purchase 650,000 shares of common stock at an exercise price of \$0.15 per share.
- Judson Bibb failed to timely file three Forms 4 to respectively report
 - o the purchase of 5,000 shares of common stock
 - o the purchase 500 shares of common stock
 - o the acquisition of warrants to purchase 750,000 shares of common stock at an exercise price of \$0.22 per share, and
 - o the acquisition of warrants to purchase 1,400,000 shares of common stock at an exercise price of \$0.1 per share.
- Timothy Hassett failed to timely file two Forms 4 to report
 - o the purchase of 285,714 shares of common stock,
 - o the acquisition of warrants to purchase 625,000 shares of common stock at an exercise price of \$0.22 per share, and
 - o

the acquisition of warrants to purchase 285,714 shares of common stock at an exercise price of \$0.1 per share.

- Quentin Ponder failed to timely file two Forms 4 to report
 - o the acquisition of 1,000,000 shares of common stock,
 - o the acquisition of warrants to purchase 1,000,000 shares of common stock at an exercise price of \$0.1 per share,
 - o the acquisition of 400,000 shares of common stock, and
 - o the acquisition of warrants to purchase 400,000 shares of common stock at an exercise price of \$0.22 per share.

- Richard Schul failed to timely file one Form 3 to report the acquisition of warrants to purchase 200,000 shares of common stock at an exercise price of \$0.5 per share.

- Chris McKee failed to timely file one Form 3 to report
 - o the acquisition of 222,222 shares of common stock,
 - o the acquisition of warrants to purchase 200,000 shares of common stock at an exercise price of \$0.8 per share, and
 - o the acquisition of warrants to purchase 222,222 shares of common stock at an exercise price of \$0.57 per share.

- Mark Hodowanec failed to timely file one Form 4 to report the acquisition of warrants to purchase 200,000 shares of common stock at an exercise price of \$0.09 per share.

- Daniel Ustian failed to timely file one Form 3 to report
 - o the acquisition of 222,222 shares of common stock,
 - o the acquisition of warrants to purchase 200,000 shares of common stock at an exercise price of \$0.8 per share,
 - o the acquisition of warrants to purchase 222,222 shares of common stock at an exercise price of \$0.57 per share, and
 - o the acquisition of warrants to purchase 450,000 shares of common stock at an exercise price of \$0.0854 per share.

Table of Contents**Changes in Nominating Process**

There are no material changes to the procedures by which security holders may recommend nominees to our Board.

Item 11. Executive Compensation**Summary Compensation Table**

The following table provides certain information regarding compensation awarded to, earned by or paid to persons serving as our Chief Executive Officer during fiscal 2017 and 2016 and our two other most highly compensated officers who had total compensation exceeding \$100,000 for fiscal 2017 (each a "named executive officer").

Name and Principal Position	Fiscal Year Ended 12/31	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Warrant	Option Awards (\$)	All Other (\$)	Total (\$)
					Awards (\$)			
Timothy Hassett CEO and Chairman	2017	210,000(4)	100,000	--	--	--	11,904(1)	321,904
	2016	210,000(5)		--	--	--	15,433(1)	225,433
Judson Bibb Vice President, Secretary and Director	2017	120,000(6)	--	--	13,537(3)	--	11,904(1)	145,441
	2016	120,000(7)	--	--	--	--	10,315(1)	130,315
Theodore Banzhaf, Former President (9)	2017	--	--	--	--	--	--	--
	2016	180,000(8)	--	--	--	--	26,700(2)	206,700
Mark Hodowanec,	2017	175,000(10)	100,000	--	13,537(3)	--	11,904(1)	300,441

Chief Technical Officer	2016	175,000(11)	--	--	--	--	10,315(1)	185,315
Quentin Ponder	2017	144,000(12)	--	--	13,537(3)	--	--	157,537
Chief Financial Officer	2016	144,000(13)	--	--	-	--	--	144,000

-
- (1) Represents health care insurance premiums paid by the Company.
- (2) Represents (i) automobile insurance of \$2,729 and (ii) health insurance of \$10,315 paid by the Company and (iii) \$13,656 for Company car.
- (3) Value of the warrants \$13,537 received in consideration of extraordinary efforts.
- (4) Mr. Hassett was paid \$187,279 with the balance of \$22,720 being earned and accrued.
- (5) Mr. Hassett was paid \$152,927 with the balance of \$57,073 being earned and accrued.
- (6) Mr. Bibb was paid \$81,574 with the balance of \$38,425 being earned and accrued.
- (7) Mr. Bibb was paid \$34,250 with the balance of \$85,750 being earned and accrued.
- (8) Mr. Banzhaf was paid \$65,500.
- (9) Pursuant to a Resignation, Waiver and Release (the "Resignation") with the Company, Mr. Banzhaf resigned as President of the Company, effective October 1, 2016, and was paid \$10,000 as full and final payment for any amounts owed to him by the Company. The Resignation contains a release of the Company by Mr. Banzhaf for any liabilities and contains an 18-month non-competition provision. Mr. Banzhaf waived any rights and claims resulting from his employment with and/or service to the Company, including any amounts owing as salary or incentive compensation of any kind including stock options and severance.
- (10) Mr. Hodowanec was paid \$136,364 with the balance of \$43,936 being earned and accrued.
- (11) Mr. Hodowanec was paid \$85,800 with the balance of \$89,200 being earned and accrued.
- (12) Mr. Ponder was paid \$98,000 with the balance of \$45,000 being earned and accrued.
- (13) Mr. Ponder was paid \$43,000 with the balance of \$101,000 being earned and accrued.

Table of Contents

Employment Agreements

We entered into an employment agreement, dated March 5, 2014, with Timothy Hassett to serve as our Chief Executive Officer for an initial annual salary of \$210,000, to be paid in equal monthly installments. If the Company is cash flow positive for three consecutive months, the monthly compensation will increase to \$25,000 per month. If the Company maintains profitability for four consecutive quarters, the monthly compensation will increase to \$30,000 per month. The Company also agreed to reimburse Mr. Hassett for his healthcare costs until the Company adopts a healthcare plan (As of June 15, 2014, the company contracted with United Healthcare to provide a healthcare plan for its employees. Consequently, the company is no longer reimbursing Mr. Hassett for his healthcare costs). If Mr. Hassett's employment is terminated without cause, he will be entitled to severance in the amount of two years' salary in effect at such time to be paid by the Company in one payment or in four equal installments at the end of each quarter following termination, at the Company's discretion. Such severance obligation shall accelerate and become immediately payable upon change of control of the Company. The Company will also pay any excise tax on Mr. Hassett's behalf that may be triggered under the Internal Revenue Code as a result. Mr. Hassett will not compete with the Company during the term of the agreement.

We entered into an employment agreement, dated February 10, 2014, with Mark Hodowanec to serve as our Chief Technical Officer for an initial annual salary of \$175,000, to be paid in equal monthly installments. Mr. Hodowanec's annual salary shall be increased to \$210,000 upon commercialization of the 25/50 kW mobile generators; to \$240,000 upon the Company generating \$100,000 in revenues or \$1,000,000 in new financing; to \$300,000 upon the Company achieving profitability; and to \$360,000 upon the Company maintaining profitability for four consecutive quarters. The Company also agreed to reimburse Mr. Hodowanec for his healthcare costs until the Company adopts a healthcare plan (As of June 15, 2014, the company contracted with United Healthcare to provide a healthcare plan for its employees. Consequently, the company is no longer reimbursing Mr. Hodowanec for his healthcare costs). If Mr. Hodowanec's employment is terminated without cause, he will be entitled to severance in the amount of two years' salary in effect at such time to be paid by the Company in one payment or in four equal installments at the end of each quarter following termination, at the Company's discretion. Such severance obligation shall accelerate and become immediately payable upon change of control of the Company. The Company will also pay any excise tax on Mr. Hodowanec's behalf that may be triggered under the Internal Revenue Code as a result. Mr. Hodowanec will not compete with the Company during the term of the agreement.

On August 9, 2016, we entered into an employment agreement with Judson Bibb to serve as our Vice President for an initial annual salary of \$120,000, to be paid in equal monthly installments. Mr. Bibb's annual salary shall be increased to \$150,000 upon the Company remaining cash flow positive for three consecutive months and to \$180,000 upon the Company maintaining profitability for four consecutive quarters. The Company also agreed to include Mr. Bibb on its healthcare plan (As of June 15, 2016, the company contracted with Freedom Life Insurance Company of America to provide a healthcare plan for its employees.). If Mr. Bibb's employment is terminated without cause, he will be entitled to severance in the amount of two years' salary in effect at such time to be paid by the Company in one payment or in four equal installments at the end of each quarter following termination, at the Company's discretion. Such severance obligation shall accelerate and become immediately payable upon change of control of the Company. The Company will also pay any excise tax on Mr. Bibb's behalf that may be triggered under the Internal Revenue

Code as a result. Mr. Bibb will not compete with the Company during the term of the agreement.

Consulting Agreements

We entered into a consulting agreement with Summit Management in April 2011 for services provided by Quentin Ponder to the Company for a consulting fee of \$5,000 per month which was increased to \$7,500 per month effective January 1, 2012. During 2012, Mr. Ponder agreed to forgo four months' payment under the consulting agreement due to the financial condition of the Company. Mr. Ponder was paid \$7,500 per month from January 2013 through July 2013 and accrued \$2,500 during those months (except for the first month in which he accrued \$1,250); was paid \$10,000 per month from August 2013 through April 2014; and was paid \$12,000 per month from May 2014 through December 2016. On December 28, 2016, the Company entered into a new consulting agreement with Summit, effective January 1, 2017 to provide Mr. Ponder's services for so long as they are needed by the Company.

Table of Contents

We entered into a consulting agreement with Timothy Hassett in April 2011 pursuant to which he received \$5,000 per month. The consulting fee was increased to \$10,000 per month effective January 1, 2012. During 2012, Mr. Hassett agreed to forgo four months' payment on the agreement due to the financial condition of the Company. Mr. Hassett was paid \$10,000 per month from January 2013 through July 2013 and accrued \$3,500 during those months (except for the first month in which he accrued \$1,750) and was paid \$13,500 per month from August 2013 through October 2013. Such consulting agreement terminated on November 1, 2013, the date Mr. Hassett became a full-time, salaried employee of the Company.

On May 1, 2012, we entered into a consulting agreement with Bibb Productions & Consulting for Judson Bibb's services for a monthly consulting fee of \$6,000 conditional upon the financial ability of the Company. Mr. Bibb's monthly consulting fee under this agreement was accrued but unpaid from May 2012 through April 2013 and was paid to Mr. Bibb for the months of May, June, July and August 2013. Such consulting agreement terminated on January 1, 2014, the date Mr. Bibb became a full-time, salaried employee of the Company and was paid \$8,000 per month. Mr. Bibb's compensation increased to \$10,000 per month in May 2014.

Outstanding Equity Awards

The table below reflects all outstanding equity awards made to any named executive officer that were outstanding at December 31, 2017.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2017

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards		Option Exercise Price (\$)	Option Expiration Date
			Number of Securities Underlying Unexercised Options (#) Unexercisable			
Timothy Hassett	3/31/14	1,000,000	--		2.00	(1)
Judson Bibb	3/31/14	2,000,000	--		2.00	(1)
Mark Hodowanec	3/31/14	1,000,000	--		2.00	(1)

(1) No expiration date.

Compensation of Officers

On January 13, 2014, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and Section 14A of the Securities Exchange Act of 1934, as amended, our stockholders voted, on an advisory basis, to approve the compensation of the management team. This proposal, commonly known as a "say-on-pay" proposal, gave the Company's stockholders the opportunity to express their views on the compensation of the Chairman and Chief Executive Officer, Timothy Hassett, and the rest of the management team.

The compensation of the management team was approved by 77.46% of the shares voted.

On February 20, 2013, the Board approved the following compensation for its officers: (i) \$13,500 per month for Timothy Hassett, as Chief Executive Officer, (ii) \$10,000 per month for Quentin Ponder, as Chief Financial Officer and Treasurer, (iii) \$12,500 per month for Theodore Banzhaf, as President, (iv) \$14,500 per month for a still undesignated Chief Technical Officer and (v) \$8,000 per month for Judson Bibb, as Vice-President and Secretary. Such compensation accrued commencing January 15, 2013 until July 2013 when the Company raised \$1 million.

Table of Contents

On February 20, 2013, the Board also approved increased compensation if and when the Company achieves certain milestones as follows: (1) generating \$1 million in additional funding, (2) generating \$100,000 in revenue or an additional \$1 million in funding, (3) achieving profitability (being cash flow positive for three consecutive months) and (4) maintaining profitability for four consecutive quarters. With the achievement of the first milestone, the compensation for the President and the Chief Technical Officer will increase to \$17,500 per month. With the achievement of the second milestone, the compensation for the Chief Executive Officer shall increase to \$17,500 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$12,000 per month, the compensation for the President and the Chief Technical Officer shall increase to \$20,000 per month, and the compensation for the Vice President and Secretary shall increase to \$10,000 per month. With the achievement of the third milestone, the compensation for the Chief Executive Officer shall increase to \$25,000 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$18,000 per month, the compensation for the President shall increase to \$24,000 per month, the compensation for the Chief Technical Officer shall increase to \$25,000 per month, and the compensation for the Vice President and Secretary shall increase to \$12,000 per month. With the achievement of the fourth milestone, the compensation for the Chief Executive Officer shall increase to \$30,000 per month, the compensation for the Chief Financial Officer and Treasurer shall increase to \$24,000 per month, the compensation for the President shall increase to \$29,000 per month, the compensation for the Chief Technical Officer shall increase to \$30,000 per month, and the compensation for the Vice President and Secretary shall increase to \$15,000 per month. The validity of the compensation is no longer an issue as litigation with Spirit Bear has been settled as described above in Item 3. Legal Proceedings.

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

The Board also approved the decrease in the exercise price of the five outstanding options to purchase 1,000,000 shares held by Theodore Banzhaf, and to provide for cashless exercise of these options. The milestone stock prices were reduced to \$2.00, \$3.00, \$4.00, \$4.50 and \$5.00 for 20 consecutive trading days each. These milestone stock prices had been changed from \$2.00, \$3.00, \$5.00, \$7.50 and \$10.00. Once the stock has traded at these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause. In connection with Mr. Banzhaf's resignation as President of the Company on October 1, 2016, he waived all rights to such options.

On March 31, 2014, the Board approved the grant of options to Judson Bibb to purchase 2,000,000 shares of common stock at an exercise price of \$2.00 per share and the grant of options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Messrs. Hassett, Hodowanec and Banzhaf. In connection with Mr. Banzhaf's resignation as President of the Company on October 1, 2016, he waived all rights to such options.

Compensation of Directors

The Company has not yet established a compensation plan for its directors, however on September 20, 2017, each of our directors were issued three-year warrants to purchase 200,000 shares of the Company's common stock at \$0.08536 per share for serving on the board of directors. The warrants may be exercised on a cashless basis.

In 2011, Judson Bibb received a gift of 5,000,000 shares from PPEG. For accounting purposes, the shares are being classified as compensation. The shares were subsequently returned on April 13, 2012 and no financial benefit was accrued.

On February 20, 2013, the Board granted Judson Bibb an option to purchase 2,000,000 shares of common stock, at a purchase price of par value, or \$0.001 per share. The option was not exercised and on March 21, 2013, the Company and Judson Bibb signed an agreement rescinding such option grant.

On March 8, 2015, Christopher McKee was granted a 2.5 year warrant to purchase 200,000 shares of the Company's common stock at \$0.80 per share for his participation on the Company's Board of Advisors. On February 3, 2016, Mr. McKee was granted a three-year warrant to purchase 100,000 shares of the Company's common stock at purchase price of \$0.27 per share for his assistance in the Company's business development. The warrant may be exercised on a cashless basis.

Table of Contents

On December 31, 2013, Richard J. "Dick" Schul was granted a warrant to purchase 200,000 shares of the Company's common stock at \$0.50 per share for his participation on the Company's Board of Advisors. On February 22, 2016, Mr. Schul was granted a three-year warrant to purchase 100,000 shares of the Company's common stock at purchase price of \$0.27 per share for his assistance in the Company's business development. The warrant may be exercised on a cashless basis.

On September 10, 2014, Dan Ustian was granted a warrant to purchase 200,000 shares of the Company's common stock at \$0.80 per share for his participation on the Company's Board of Advisors. On February 3, 2016, Mr. Ustian was granted a three-year warrant to purchase 100,000 shares of the Company's common stock at purchase price of \$0.27 per share for his assistance in the Company's business development. The warrant may be exercised on a cashless basis.

On March 14, 2014, Don Bowman was granted a five-year warrant to purchase 250,000 shares of the Company's common stock at \$0.60 per share for legal services provided to the Company. The warrant may be exercised on a cashless basis.

On September 20, 2017, Christopher McKee and Richard Schul were each granted three-year warrants to purchase 100,000 shares of the Company's common stock at \$0.08536 per share for assistance and services provided to the Company. The warrants may be exercised on a cashless basis.

On September 20, 2017, Daniel Ustian was granted a three-year warrant to purchase 250,000 shares of the Company's common stock at \$0.08536 per share for assistance and services provided to the Company. The warrants may be exercised on a cashless basis.

On September 20, 2017, Quentin Ponder and Judson Bibb were each granted three-year warrants to purchase 200,000 shares of the Company's common stock at \$0.08536 per share in recognition for their efforts for maintain and advance the Company since inception. The warrants may be exercised on a cashless basis.

On September 20, 2017, Timothy Hassett was awarded \$100,000 in consideration for the two patents he and Mark Hodowanec received in 2017 and, subsequently, assigned to the Company. The award was added to his accrued salary.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists, as of April 10, 2018, the number of shares of common stock beneficially owned by (i) each person, entity or group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each of our named executive officers and (iii) all officers and directors as a group. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person directly or indirectly has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to dispose or direct the disposition of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the SEC rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary interest. Except as noted below, each person has sole voting and investment power with respect to the shares beneficially owned and each stockholder's address is c/o Cool Technologies, Inc., 8875 Hidden River Parkway, Suite 300, Tampa, Florida 33637.

Table of Contents

The percentages below are calculated based on 191,412,240 issued and outstanding shares of common stock and 33 issued and outstanding shares of Series A Stock (each such share of Series A Stock has the voting right of 50,000 shares of Common Stock) and 2,272,270 issued and outstanding shares of Series B Stock (collectively, the 3 holders of the shares are entitled to 66 2/3% of the total votes), as of April 10, 2018.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage
5% or Greater Stockholders		
Abdalla Bamashmus 2234 Surfside Drive Anderson, South Carolina 29625	9,578,760(1)	4.90%
Gemini Master Fund, Ltd. (2)		
% Gemini Strategies Inc. 619 Vulcan Avenue, Suite 203 Encinitas, California 92024	25,259,843 (3)	13.20%
Eric Paul Brown		
1877 S. Wiesbrook Road Wheaton, Illinois 60189	2,938,178(4)	66.66%(5)
Christopher J. Jones		
1314 E. Forest Avenue Wheaton, Illinois 60189	3,393,632(6)	66.66%(5)
KHIC, LLC(7)		
120 West 45 th Street New York, New York 10036	27,629,592(8)	12.93%
Directors and executive officers		

Timothy Hassett	8,547,928(9)	4.42%
Quentin Ponder	8,400,000(10)	4.32%
Judson Bibb	9,147,200(11)	4.64 %
Christopher McKee	844,444(12)	*
Richard J. "Dick" Schul	600,000(13)	*
Donald Bowman	450,000(14)	*
Daniel C. Ustian	5,430,804(15)	66.66%(5)
All executive officers and directors as a group (8 persons)(16)	34,200,076	16.40%

* less than 1%

- (1) Includes currently exercisable warrants to purchase an aggregate of 3,922,708 shares of Common Stock.
- (2) Steven Winters, President of Gemini Strategies Inc., investment manager of Gemini Master Fund, Ltd. has sole voting and dispositive power over shares held by Gemini Master Fund, Ltd.
- (3) Includes 9,603,662 shares of common stock issued to Gemini Special Opportunities Fund, LP of which Steven Winters is also president.

Table of Contents

- (4) Includes (i) 909,090 shares of Series B Stock which are convertible by the Series B stockholder into Common Stock on a one-to-one basis and automatically convert into Common Stock on a one-to-one basis if the Common Stock trades in excess of \$2.25 for any consecutive 20-day period, (ii) a warrant to purchase 909,090 shares of Common Stock at \$0.07 per share (iii) a warrant to purchase 309,090 shares of Common Stock at \$0.07 per share, (iv) a warrant to purchase 60,909 shares of Common Stock at \$0.75 per share and (v) a warrant to purchase 116,667 shares of Common Stock at \$0.05 per share.
- (5) The Series B Stock votes together as a single class with the holders of the Common Stock, with the holders of Series B Stock being entitled to 66 2/3% of the total votes.
- (6) Includes (i) 909,090 shares of Series B Stock which are convertible by the Series B stockholder into Common Stock on a one-to-one basis and automatically convert into Common Stock on a one-to-one basis if the Common Stock trades in excess of \$2.25 for any consecutive 20-day period, (ii) a warrant to purchase 909,090 shares of Common Stock at \$0.07 per share (iii) a warrant to purchase 309,090 shares of Common Stock at \$0.07 per share, (iv) a warrant to purchase 243,636 shares of Common Stock at \$0.75 per share and (v) a warrant to purchase 116,667 shares of Common Stock at \$0.05 per share.
- (7) Eric Hess, member and Secretary of KHIC, LLC, has sole voting and dispositive power over the shares held by KHIC, LLC.
- (8) Includes (i) 150,000 shares of common stock underlying 3 shares of Series A Preferred Stock (having voting rights to 50,000 shares of common stock for each share of Series A Stock), (ii) currently exercisable warrants to purchase 8,000,000 shares of common stock at \$0.06 per share, (iii) 12,154,592 shares of Common Stock issuable upon the conversion of a convertible promissory note at a conversion price of \$0.025 per share, (iv) a currently exercisable warrant to purchase 650,000 shares of common stock at \$0.15 per share, (v) a currently exercisable warrant to purchase 650,000 shares of common stock at \$0.15 per share, and (vi) a currently exercisable warrant to purchase 650,000 shares of common stock at \$0.12 per share.
- (9) Includes (i) an option to purchase 1,000,000 shares of Common Stock at \$2.00 per share, (ii) a currently exercisable warrant to purchase 625,000 shares of Common Stock at \$0.22 per share and (iii) a currently exercisable warrant to purchase 285,714 shares of common stock at \$0.10 per share which expires on July 20, 2022. Does not include an aggregate of 90,000 shares held by Mr. Hassett's minor children.
- (10) Includes (i) a currently exercisable warrant to purchase 400,000 shares of Common Stock at \$0.22 per share (ii) a currently exercisable warrant to purchase 1,000,000 shares of Common Stock at \$0.10 per share, (iii) currently exercisable warrants to purchase 400,000 shares of Common Stock at \$0.08536 per share, and (iv) current exercisable warrants to purchase 1,600,000 shares of Common Stock at \$0.0714 per share.
- (11) Includes (i) options to purchase 2,000,000 shares of Common Stock at \$2.00 per share, and (ii) a currently exercisable warrant to purchase 750,000 shares of Common Stock at \$0.22 per share, (iii) a currently exercisable warrant to purchase 1,400,000 shares of Common Stock at \$0.10 per share, (iv) currently exercisable warrants to purchase 400,000 shares of Common Stock at \$0.08536 per share, and (v) a currently exercisable warrant to purchase 1,000,000 shares of Common Stock at \$0.0714 per share.
- (12) Includes (i) a currently exercisable warrant to purchase 222,222 shares of Common Stock at \$0.57 per share, (ii) currently exercisable warrant to purchase 100,000 shares of Common Stock at \$0.27 per share. and (iii) currently exercisable warrants to purchase 300,000 shares of Common Stock at \$0.08536 per share.
- (13) Includes (i) a currently exercisable warrant to purchase 100,000 shares of common stock at \$0.27 per share, (ii) a currently exercisable warrant to purchase 100,000 shares of common stock at \$0.22 and (iii) currently exercisable warrants to purchase 300,000 shares of Common Stock at \$0.08536 per share.
- (14) Represents (i) a currently exercisable warrant to purchase 250,000 shares of Common Stock at \$0.60 per share and (ii) a currently exercisable warrant to purchase 200,000 shares of Common Stock at \$0.08536 per share.
- (15) Includes (i) 909,090 shares of Series B Stock which are convertible by Mr. Ustian into Common Stock on a one-to-one basis and automatically convert into Common Stock on a one-to-one basis if the Company's common stock trades in excess of \$2.25 for any consecutive 20-day period, (ii) a currently exercisable warrant to purchase

909,090 shares of Common Stock at \$0.07 per share, (iii) a currently exercisable warrant to purchase 222,222 shares of Common Stock at \$0.57 per share; (iv) a currently exercisable warrant to purchase 100,000 shares of Common Stock at \$0.27, (v) a currently exercisable warrant to purchase 1,000,000 shares of Common Stock at \$0.22 per share, (vi) currently exercisable warrants to purchase 450,000 shares of Common Stock at \$0.08536 per share, and (vii) a currently exercisable warrant to purchase 309,090 shares of Common Stock at \$0.07 per share.
(16) Includes Mark Hodowanec, Chief Technology Officer.

Table of Contents

Change-in-Control Agreements

The Company does not have any change-in-control agreements with any of its executive officers, except that severance payments, if any, to which Messrs. Hodowanec, Hassett and Bibb may be entitled under their employment agreements as described above in "Employment Agreements", accelerate in the event of a change of control.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Certain Relationships and Related Transactions

UPT leases its Largo, Florida premises from Dennis Campbell, the managing member of PGC, a significant contractor running our UPT operations, under the Largo Lease for \$3,210 per month. The current lease term commenced on July 1, 2014, expired on June 30, 2017 and the company is currently paying on a month-to-month basis.

In May 2014, Alfred Cullere, a selling stockholder, and 5% owner of UPT, made advanced payments to us of an aggregate of \$400,000 by companies controlled by Mr. Cullere on purchase orders that have not yet been fulfilled by the Company. On January 5, 2015, Mr. Cullere also loaned UPT \$250,000.

On March 31, 2014, the Board approved the grant of options to Judson Bibb, our Vice President and Secretary and a director, to purchase 2,000,000 shares of common stock at an exercise price of \$2.00 per share and the grant of options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Messrs. Hassett (Chairman and Chief Executive Officer), Hodowanec (Chief Technical Officer) and Banzhaf (former President). Mr. Banzhaf waived his rights to such option upon his resignation as President of the Company on October 1, 2016.

On December 2, 2014, Abdalla Bamashmus, a 5% shareholder, purchased 50,000 shares of common stock and a five-year warrant to purchase 50,000 shares of common stock at an exercise price of \$0.70 per share. We received \$27,500 for the sale of such securities.

On March 3, 2015, we issued 288,968 shares of common stock to Spirit Bear upon the cashless exercise of 591,054 warrants.

On April 29, 2015, Christopher McKee, a director, purchased 222,222 shares of common stock and a five-year warrant to purchase 222,222 shares of common stock at an exercise price of \$0.57 per share. We received \$100,000 for the sale of such securities.

On May 1, 2015, Daniel Ustian, a director, purchased 222,222 shares of common stock and a five-year warrant to purchase 222,222 shares of common stock at an exercise price of \$0.57 per share. We received \$100,000 for the sale of such securities.

On May 11, 2015, Abdalla Bamashmus, a 5% shareholder, purchased 66,666 shares of common stock and a five-year warrant to purchase 66,666 shares of common stock at an exercise price of \$0.60 per share. We received \$30,000 for the sale of such securities.

On June 11, 2015, Abdalla Bamashmus, a 5% shareholder, purchased 62,500 shares of common stock and a five-year warrant to purchase 62,500 shares of common stock at an exercise price of \$0.47 per share. We received \$25,000 for the sale of such securities.

On August 12, 2015, we issued 200,000 shares of common stock to Spirit Bear upon the conversion of 4 shares of Series A Stock.

On January 9, 2016, Abdalla Bamashmus, a 5% shareholder, purchased 115,385 shares of common stock and a five-year warrant to purchase 115,385 shares of common stock at an exercise price of \$0.18 per share. We received \$15,000 for the sale of such securities.

Table of Contents

On February 3, 2016, we issued three-year warrants to purchase 100,000 shares of common stock at an exercise price of \$0.27 per share to each of Richard Schul (a director and an advisory board member), Daniel Ustian (a director and advisory board member), Christopher McKee (a director and advisory board member) and Scott Van Dorn (an advisory board member) and a three-year warrant to purchase 200,000 shares of common stock to Gurminder Bedi (an advisory board member) at an exercise price of \$0.31 per share, for serving on our board of advisors. The warrants may be exercised on a cashless basis.

On March 2, 2016, we issued 700,000 shares of common stock to Spirit Bear upon conversion of 14 shares of our Series A Stock.

On March 24, 2016, Abdalla Bamashmus, a 5% shareholder, purchased 125,000 shares of common stock and a five-year warrant to purchase 62,500 shares of common stock at an exercise price of \$0.32 per share. We received \$25,000 for the sale of such securities.

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. 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. The warrant may be exercised on a cashless basis. Mr. Banzhaf waived his rights to these warrants upon his resignation from the Company on October 1, 2016.

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 an exercise price of \$0.22. The warrant may be exercised on a cashless basis.

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

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 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 and automatically converts into common stock on a one-to-one basis if the Company's common stock trades in excess of \$2.25 for any consecutive 20 day period and a currently exercisable warrant to purchase 909,090 shares of common stock at an exercise price of \$0.07 per share.

On August 24, 2016, the Company issued KHIC, LLC, a 5% stockholder, a senior convertible promissory note in the principal amount of \$400,000. The note accrues interest at 3% and matures on August 24, 2018. The note is convertible into shares of common stock of the Company at a conversion price of \$0.025 per share and is senior to all other indebtedness of the Company and its subsidiaries. The conversion shares have registration rights. \$368,703 is currently outstanding under the note.

Table of Contents

On September 30, 2016, the Company issued Gemini Master Fund, Ltd., a 5% stockholder, 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. On November 10, 2016, we issued 800,000 shares of our common stock as partial consideration for the note to Gemini Master Fund, Ltd.

On October 7, 2016, we issued 5,469,113 shares of our common stock upon complete conversion of a warrant originally issued in connection with \$400,000 of principal and interest of convertible debt to Gemini Master Fund, Ltd., a 5% stockholder.

On October 31, 2016, Daniel Ustian, a director, purchased warrants to purchase 309,091 shares of common stock at an exercise price of \$0.07 per share and 309,091 shares of Series B Stock for \$17,000.

On October 31, 2016, each of Christopher Jones and Eric Brown, 5% stockholders, purchased warrants to purchase 309,091 shares of common stock at an exercise price of \$0.07 per share and 309,091 shares of Series B Stock for \$17,000.

On November 7, 2016, we issued 300,000 shares of common stock to Sprit Bear upon the conversion of 6 shares of Series A Stock.

On December 23, 2016, we entered into a Securities Purchase Agreement with KHIC, LLC, a 5% stockholder, pursuant to which KHIC, LLC purchased for \$65,000, 650,000 shares of common stock and a five-year warrant to purchase 650,000 shares of common stock at \$0.12 per share and 650,000 shares of common stock at \$0.15 per share.

On December 28, 2016, the consulting agreement with Summit Management Consulting Inc. for the services of Quentin Ponder, our chief financial officer, was renewed until such time as Quentin Ponder's services are no longer needed for a monthly consulting fee of \$12,000. Mr. Ponder is the sole owner and director of Summit Management.

On January 17, 2017, we issued 800,000 shares of common stock to Sprit Bear, a greater than 5% stockholder, upon the conversion of 16 shares of Series A Stock.

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

On May 8, 2017, we issued 909,090 shares of common stock to Inverom Corporation, a 5% stockholder, upon the conversion of 909,090 shares of Series B stock, which represented all of the shares of Series B Stock held by Inverom Corporation.

On June 7, 2017, the Company issued KHIC, a 5% shareholder, 4,000,000 shares of common stock and a 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. The warrant expires on June 7, 2022.

On June 16, 2017, Abdalla Bamashmus, a 5% shareholder, purchased 1,000,000 shares of common stock and a three-year warrant to purchase 1,000,000 shares of common stock at an exercise price of \$0.10 per share. We received \$55,000 for the sale of such securities.

On July 5, 2017, Abdalla Bamashmus, a 5% shareholder, purchased 545,455 shares of common stock and a three-year warrant to purchase 545,455 shares of common stock at an exercise price of \$0.10 per share. We received \$30,000 for the sale of such securities.

Table of Contents

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.

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 our Chief Executive Officer, 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, the company who provides the services of our Chief Financial Officer, Quentin Ponder, 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 our Secretary and Vice President, Judson Bibb, in exchange for \$98,000 in accrued salary. The warrant may be exercised on a cashless basis.

On July 26, 2017, Abdalla Bamashmus, a 5% shareholder, purchased 545,455 shares of common stock and a three-year warrant to purchase 545,455 shares of common stock at an exercise price of \$0.10 per share. We received \$30,000 for the sale of such securities.

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

On July 27, 2017, we issued for consideration of \$17,000, 309,090 shares of our common stock and a five year warrant to purchase 309,090 shares of our common stock at a an exercise price of \$0.07 to Eric Brown, a 5% stockholder. The warrant expires on October 31, 2021 and may be exercised on a cashless basis.

On July 27, 2017, we issued for consideration of \$17,000, 309,090 shares of our common stock and a five year warrant to purchase 309,090 shares of our common stock at a an exercise price of \$0.07 to Christopher Jones, a 5% stockholder. The warrant expires on October 31, 2021 and may be exercised on a cashless basis.

On September 5, 2017, Abdalla Bamashmus, a 5% shareholder, purchased 363,636 shares of common stock and a three-year warrant to purchase 363,636 shares of common stock at an exercise price of \$0.10 per share. We received \$20,000 for the sale of such securities.

On September 7, 2017, for consideration of \$50,000, we sold to Spirit Bear 1,000,000 shares of our common stock and a five year warrant to purchase 1,000,000 shares of our common stock at an exercise price of \$0.0725. The warrant may be exercised on a cashless basis.

On September 18, 2017, we issued 1,000,000 shares of common stock to Spirit Bear upon the conversion of 20 shares of Series A Stock.

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 400,000 shares of the Company's common stock to our Chief Financial Officer and director, Quentin Ponder. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 400,000 shares of the Company's common stock to our Vice President and Secretary, Judson Bibb. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

Table of Contents

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 200,000 shares of the Company's common stock to our Chief Technical Officer, Mark Hodowanec. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 300,000 shares of the Company's common stock to a director, Richard Schul. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 300,000 shares of the Company's common stock to a director, Christopher McKee. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 450,000 shares of the Company's common stock to a director, Daniel Ustian. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

On September 20, 2017, the board of directors approved the grant of three-year warrants to purchase an aggregate of 200,000 shares of the Company's common stock to a director, Donald Bowman. The warrants have an exercise price of \$0.08536 and may be exercised on a cashless basis.

On February 12, 2018, 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 \$0.0714 per share, to Summit Management Consulting, the company who provides the services of our Chief Financial Officer, Quentin Ponder, in exchange for \$50,000 in accrued salary. The warrant may be exercised on a cashless basis.

On February 12, 2018, 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 \$0.0714 per share, to our Secretary and Vice President, Judson Bibb, in exchange for \$50,000 in accrued salary. The warrant may be exercised on a cashless basis.

On February 21, 2018, we issued for consideration of \$17,000, 233,333 shares of our common stock and a three year warrant to purchase 116,667 shares of our common stock at a an exercise price of \$0.05 to Eric Brown, a 5% stockholder. The warrant expires on February 21, 2021 and may be exercised on a cashless basis.

On February 21, 2018, we issued for consideration of \$11,670, 233,333 shares of our common stock and a three year warrant to purchase 116,667 shares of our common stock at a an exercise price of \$0.05 to Christopher Jones, a 5% stockholder. The warrant expires on February 21, 2021 and may be exercised on a cashless basis.

On February 25, 2018, we sold a total of 600,000 shares of common stock and a five-year warrant to purchase 600,000 shares of our common stock at an exercise price of \$0.0714 per share, to Summit Management Consulting, the company who provides the services of our Chief Financial Officer, Quentin Ponder, in exchange for \$30,000 in accrued salary. The warrant may be exercised on a cashless basis.

On March 27, 2018, Gemini Master Fund, a 10% shareholder, exercised a warrant to purchase 13,671,379 shares via cashless exercise which resulted in the issuance of 9,603,662 shares of common stock. Gemini has no more warrants outstanding.

On March 28, 2018, we sold a total of 1,111,111 shares of our common stock and a five-year warrant to purchase 1,111,111 shares of our common stock at an exercise price of \$0.10 per share to Abdalla Bamashmus, a 5% shareholder, in a private offering. We received \$50,000 as consideration for the sale of such securities..

Spirit Bear Limited

See "Item 3. Legal Proceedings" above for a description of the legal proceedings between the Company and Spirit Bear.

Table of Contents

Insider Transactions Policies and Procedures

The Company does not currently have an insider transaction policy.

Director Independence

We currently do not have any independent directors as the term “independent” is defined by the rules of the American Stock Exchange.

While four of our seven directors do not receive on-going consideration from the company for their service as directors or officers, on September 20, 2017, each of the directors were awarded a warrant to purchase 200,000 shares of common stock and three of the four outside directors have received consideration for their service on the Company's Board of Advisor. As the entire Board of Directors has yet to affirm that the respective individual directors do not have relationships that would interfere with the exercise of independent judgement in carrying out their directors' responsibilities, none of our directors can be defined as "independent".

Item 14. Principal Accounting Fees and Services.

Audit Fees

Audit fees consist of fees for professional services rendered for the audit of the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K and the review of financial statements included in the Company's Quarterly Reports on Form 10-Q. The aggregate fees billed for professional services rendered by our principal accountant, Anton and Chia, LLP, for audit and review services for the fiscal years ended December 31, 2017 and December 31, 2016 were \$113,555 and \$77,613, respectively.

We incurred no non-audit related fees, tax fees or other fees for professional services rendered by our principal accountant for the years ended December 31, 2017 and 2016.

It should be noted that on February 2, 2018, the board of directors voted to terminate the services of Anton and Chia, LLP and engage the services of Green and Company, CPAs as the company independent registered public accounting firm. Green and Company audited the company's annual report on Form 10-K for the year ended December 31, 2017.

Administration of the Engagement; Pre-Approval of Audit and Permissible Non-Audit Services

We have not yet established an audit committee. Until then, there are no formal pre-approval policies and procedures. Nonetheless, the auditors engaged for these services are required to provide and uphold estimates for the cost of services to be rendered. The percentage of hours expended on Green and Company, LLP's respective engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.

Table of Contents**PART IV****Item 15. Exhibits, Financial Statement Schedules.****Exhibit****Number Description of Exhibit**

<u>3.1</u>	<u>Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form SB-2 filed with the SEC on August 9, 2007)</u>
<u>3.2</u>	<u>Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed with the SEC on September 9, 2010)</u>
<u>3.3</u>	<u>Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Form SB-2 filed with the SEC on August 9, 2007)</u>
<u>3.4</u>	<u>Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2012)</u>
<u>3.5</u>	<u>Certificate of Amendment to the Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q filed with the SEC on May 15, 2012)</u>
<u>3.6</u>	<u>Bylaws, dated February 20, 2013 (incorporated by reference to Exhibit 3.6 to the Company's Form 10-K filed with the SEC on April 15, 2013)</u>
<u>3.6.1</u>	<u>Amendment to Article VII of the Bylaws (incorporated by reference to Exhibit 3.6.1 to the Company's Form 8-K filed with the SEC on June 27, 2013)</u>
<u>3.7</u>	<u>Amendment to Article II, Section 2 of the Bylaws (incorporated by reference to Exhibit 3.7 to the Company's Form 8-K filed with the SEC on January 17, 2014)</u>
<u>3.8</u>	<u>Certificate of Designation of the Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)</u>
<u>3.9</u>	<u>Amendment to the Certificate of Designation of the Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1.1 to the Company's Current Report on Form 8-K filed with the SEC on June 27, 2013)</u>
<u>3.11</u>	<u>Amendment to Articles of Incorporation, dated March 20, 2017 (incorporated by reference to Exhibit 3.11 to the Company's Current Report on Form 8-K filed with the SEC on March 24, 2017)</u>
<u>10.1</u>	<u>Consulting Agreement dated April 1, 2011 between Summit Management and HPEV, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K filed with the SEC on April 2, 2012)</u>
<u>10.2</u>	<u>Loan Agreement between Phoenix Productions and Entertainment Group and the Company effective September 7, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K filed with the SEC on October 3, 2011).</u>
<u>10.3</u>	<u>Stock Purchase and Sale Agreement dated November 17, 2010 between Phoenix Productions and Entertainment Group, LLC, Judson Bibb and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on December 28, 2010).</u>
<u>10.4</u>	<u>Agreement for the Exchange of Common Stock of HPEV, Inc. dated March 29, 2011 among the Company, HPEV, Inc., Timothy Hassett, C. Quentin Ponder, B. Mark Hodowanec and D. Darren Zellers (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K filed with the SEC on October 3, 2011).</u>
<u>10.5</u>	

- Addendum to Share Exchange dated June 14, 2011 among the Company, HPEV, Inc., Timothy Hassett, C. Quentin Ponder, B. Mark Hodowanec and D. Darren Zellers (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the SEC on August 19, 2011).
- 10.6 Memorandum of Agreement dated December 24, 2010 by and between the Company and Taharqa Aleem and Tunde Ra Aleem a/k/a Albert Allen and Arthur Allen (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on December 29, 2010).
- 10.7 Letter of Agreement dated September 17, 2010 among USEE, Inc., USEE, CA, Inc. and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on September 24, 2010).
- 10.8 Termination Letter dated November 15, 2010 from the Company to USEE, Inc. and USEE, CA, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on November 15, 2010).
- 10.9 Amended and Restated Asset Purchase and Sale Agreement between Trinity Springs Ltd. and the Company effective January 26, 2011 (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on March 15, 2011).
- 10.10 Membership Interest Purchase Agreement related to Harvest Hartwell CCP, LLC dated September 30, 2010 between Richard Glisky and the Company (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed with the SEC on October 7, 2010).
- 10.11 Rescission Agreement dated September 2, 2011 between Richard Glisky and the Company (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K filed with the SEC on April 2, 2012).
- 10.12 Consulting Agreement dated April 1, 2011 between Summit Management and HPEV, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.13 Consulting Agreement dated April 1, 2011 between Timothy Hassett and HPEV, Inc. (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.14 Addendum to Summit Management Consulting Agreement dated January 2, 2012. (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.15 Addendum to Timothy Hassett Consulting Agreement dated January 2, 2012(incorporated by reference to Exhibit 10.15 to the Company's Form 10-K filed with the SEC on April 2, 2012)
- 10.16 Consulting Agreement dated February 13, 2012 between Lagoon Labs, LLC and HPEV, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the SEC on May 15, 2012)

Table of Contents

<u>10.17</u>	<u>Warrant issued to McMahon, Serepca LLP for financial accommodations dated June 4, 2012 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.18</u>	<u>Spirit Bear Note and Warrant Purchase Agreement dated August 9, 2012 (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.19</u>	<u>Spirit Bear Promissory Note B-1 issued pursuant to the Note and Warrant Purchase Agreement and dated April 27, 2012 (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.20</u>	<u>Spirit Bear Promissory Note B-2 issued pursuant to the Note and Warrant Purchase Agreement and dated May 22, 2012. (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.21</u>	<u>Spirit Bear Promissory Note B-3 issued pursuant to the Note and Warrant Purchase Agreement and dated June 28, 2012 (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.22</u>	<u>Spirit Bear Promissory Note B-4 issued pursuant to the Note and Warrant Purchase Agreement and dated July 11, 2012 (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.23</u>	<u>Spirit Bear Loan Extension Agreement for Note B-1 dated October 26, 2012 (incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q filed with the SEC on November 19, 2012)</u>
<u>10.24</u>	<u>Securities Purchase Agreement, dated December 14, 2012, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)</u>
<u>10.25</u>	<u>Registration Rights Agreement dated December 14, 2012, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)</u>
<u>10.26</u>	<u>Form of Common Stock Purchase Warrant, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Company's Current Registration Statement on S-1 filed with the SEC on January 11, 2013)</u>
<u>10.27</u>	<u>Form of Common Stock Purchase Warrant, between Spirit Bear Limited and HPEV, Inc (incorporated by reference to Company's Current Registration Statement on S-1 filed with the SEC on January 11, 2013)</u>
<u>10.28</u>	<u>Form of Common Stock Purchase Warrant, between Spirit Bear Limited and HPEV, Inc (incorporated by reference to Company's Current Registration Statement on S-1 filed with the SEC on January 11, 2013)</u>
<u>10.29</u>	<u>Patent and Security Agreement dated December 14, 2012, between Spirit Bear Limited and HPEV, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2012)</u>
<u>10.30</u>	<u>Debt Settlement Agreement, dated December 11, 2012, by and among HPEV, Inc., Phoenix Productions and Entertainment Group and Action Media Group, LLC (incorporated by reference to Company's Current Registration Statement on S-1 filed with the SEC on January 11, 2013)</u>
<u>10.32</u>	<u>Loan Agreement dated March 7, 2012 between HPEV and Action Media Group LLC (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2013)</u>
<u>10.33</u>	<u>Warrant issued to McMahon, Serepca, LLP for financial accommodation dated August 6, 2012 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2013)</u>
<u>10.34</u>	<u>Rescission Letter dated March 21, 2013 between Judson Bibb and the Company (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2013)</u>
<u>10.35</u>	

Rescission Letter dated March 24, 2013 between Theodore Banzhaf and the Company (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2013)

10.36 Settlement Agreement dated April 12, 2013 between Spirit Bear Limited and the Company (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2013)

10.38 Form of Subscription Agreement and Warrant Agreement (incorporated by reference to Exhibit 10.38 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2014)

Table of Contents

<u>10.39</u>	<u>Employment Agreement, dated February 14, 2014, between the Company and Mark Hodowanec (incorporated by reference to Exhibit 10.40 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2014)</u>
<u>10.40</u>	<u>Purchase Agreement, dated February 19, 2014, between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.40 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2014)</u>
<u>10.41</u>	<u>Registration Rights Agreement, dated February 19, 2014, between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.41 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2014)</u>
<u>10.42</u>	<u>Consulting Agreement, dated May 1, 2012 with Bibb Productions & Consulting (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K/A filed with the SEC on April 23, 2014)</u>
<u>10.43</u>	<u>Employment Agreement, dated March 31, 2012 with Theodore Banzhaf (incorporated by reference to Exhibit 10.43 to the C 10.43 to the Company's Annual Report on Form 10-K/A filed with the SEC on April 23, 2014)</u>
<u>10.46</u>	<u>Placement Agent and Advisory Services Agreement (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K/A filed with the Sec on April 23, 2014)</u>
<u>10.47</u>	<u>Letter Agreement, dated May 28, 2014 between the Company and Cranshire Capital Master Fund Ltd. and Equitec Specialists, LLC (incorporated by reference to Exhibit 10.45 to the Company's Registration Statement on Form S-1 filed with the SEC on July 3, 2014)</u>
<u>10.48</u>	<u>Settlement and Release Agreement effective as of May 1, 2015 by and between Spirit Bear Limited and its assignees, and the Company (incorporated by reference to Exhibit 10.48 to the Company's Current Report on Form 8K filed with the SEC on May 5, 2015)</u>
<u>10.49</u>	<u>First Amendment to Settlement Agreement effective as of May 1, 2015 between Spirit Bear Limited and its assignees and the Company (incorporated by reference to Exhibit 10.48 to the Company's Current Report on Form 8K filed with the SEC on June 4, 2015)</u>
<u>10.50</u>	<u>Settlement Agreement with Peak Finance LLC (incorporated by reference to Exhibit 10.49 to the Company's Current Report on Form 8K filed with the SEC on April 26, 2016)</u>
<u>10.51</u>	<u>Second Amendment to Settlement Agreement (incorporated by reference to Exhibit 10.52 to the Company's Current Report on Form 8K filed with the SEC on May 10, 2016)</u>
<u>10.52</u>	<u>Form of Subscription Agreement for Series B Stock (incorporated by reference to Exhibit 10.58 to the Company's Current Report on Form 8K filed with the SEC on November 11, 2016)</u>
<u>10.53</u>	<u>Form of Warrant for Series B Stock purchasers (incorporated by reference to Exhibit 10.59 to the Company's Current Report on Form 8K filed with the SEC on November 11, 2016)</u>
<u>10.54</u>	<u>Resignation, Waiver and Release of Theodore Banzhaf (incorporated by reference to Exhibit 10.60 to the Company's Current Report on Form 8K filed with the SEC on November 11, 2016)</u>
<u>10.55</u>	<u>Securities Purchase Agreement, dated December 6, 2016, between the Company and Bellridge Capital, LP (incorporated by reference to Exhibit 10.61 to the Company's Current Report on Form 8K filed with the SEC on December 12, 2016)</u>
<u>10.56</u>	<u>5% Convertible Promissory Note issued to Bellridge Capital, LP (incorporated by reference to Exhibit 10.62 to the Company's Current Report on Form 8K filed with the SEC on December 12, 2016)</u>
<u>10.57</u>	<u>Securities Purchase Agreement, dated December 6, 2016, between the Company and Bellridge Capital, LP for the Equity Line (incorporated by reference to Exhibit 10.63 to the Company's Current Report on Form 8K filed with the SEC on December 12, 2016)</u>
<u>10.58</u>	<u>Registration Rights Agreement, dated December 6, 2016, between the Company and Bellridge Capital, LP (incorporated by reference to Exhibit 10.64 to the Company's Current Report on Form 8K filed with the</u>

SEC on December 12, 2016)

- 10.59 Employment Agreement, dated July 13, 2016, between the Company and Judson Bibb (incorporated by reference to Exhibit 10.59 to the Company's Registration Statement on Form S-1 filed with the SEC on December 22, 2016)
- 10.60 Form of Advisory Board Agreement (incorporated by reference to Exhibit 10.60 to the Company's Registration Statement on Form S-1 filed with the SEC on December 22, 2016)
- 10.61 Independent Contractor Agreement, dated July 1, 2014 with PGC Investments LLC (incorporated by reference to Exhibit 10.61 to the Company's Registration Statement on Form S-1 filed with the SEC on December 22, 2016)

Table of Contents

<u>10.62</u>	<u>5% Convertible Promissory Note, dated December 28, 2016 issued to Bellridge Capital, LP (incorporated by reference to Exhibit 10.62 to the Company’s Registration Statement on Form S-1/ A filed with the SEC on January 25, 2017)</u>
<u>10.63</u>	<u>Letter, dated November 4, 2016, between the Company and Spirit Bear.</u>
<u>10.64</u>	<u>Agreement of Principal Terms, dated February 21, 2017, between Craftsmen Industries, Inc. and the Company</u>
<u>10.65</u>	<u>Securities Purchase Agreement, dated March 14, 2017, between the Company and Bellridge Capital, LP.</u>
<u>10.66</u>	<u>5% Convertible Promissory Note, dated March 14, 2017, issued to Bellridge Capital, LP</u>
<u>10.67</u>	<u>Consulting Agreement, dated July 27, 2016, between the Company and Uptick Capital, LLC (incorporated by reference to Exhibit 10.67 to the Company’s Registration Statement on Form S-1 filed with the SEC on May 9, 2017)</u>
<u>10.68</u>	<u>Letter Agreement, dated February 16, 2017, with Bellridge Capital, LLC (incorporated by reference to Exhibit 10.68 to the Company’s Registration Statement on Form S-1 filed with the SEC on May 9, 2017)</u>
<u>10.69</u>	<u>Agreement, dated February 21, 2017, between the Company and Craftsman Industries, Inc. (incorporated by reference to Exhibit 10.69 to the Company’s Registration Statement on Form S-1 filed with the SEC on May 9, 2017)</u>
<u>10.70</u>	<u>Master Retainer Agreement, entered into June 5, 2017, between G. David Gerrard, dba Cornerstone Growth Advisors LLC and the Company</u>
<u>10.71</u>	<u>Strategic Alliance Agreement, dated May 26, 2017 between the Company and Veteran Technology Group, LLC</u>
<u>10.72</u>	<u>Consulting Agreement with Summit Management Inc. dated December 28, 2016</u>
<u>10.73</u>	<u>Agreement of Principal Terms, dated November 7, 2017, between the Company and Jatropa, Inc. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 7, 2017)</u>
<u>10.74</u>	<u>Amendment No. 1 to Securities Purchase Agreement, dated November 20, 2017, between the Company and Bellridge Capital LP (incorporated by reference to Exhibit 10.74 to the Company’s Registration Statement on Form S-1 filed with the SEC on November 30, 2017)</u>
<u>10.75</u>	<u>Securities Exchange Agreement and General Release, dated November 1, 2017, between the Company and Black Mountain Equities, Inc. (incorporated by reference to Exhibit 10.74 to the Company’s Registration Statement on Form S-1 filed with the SEC on November 30, 2017)</u>
<u>10.76</u>	<u>Amendment to \$180,000 Promissory Note, dated November 20, 2017, between the Company and Lucas Hoppel (incorporated by reference to Exhibit 10.74 to the Company’s Registration Statement on Form S-1 filed with the SEC on November 30, 2017)</u>
<u>10.77*</u>	<u>Independent Agent Agreement dated October 27, 2017 between Barron and Associates, LLC and the Company.</u>
<u>10.78*</u>	<u>Amendment to \$110,000 Convertible Promissory Note dated November 1, 2017 between the Company and Lucas Hoppel.</u>
<u>10.79*</u>	<u>Agreement of Principal Terms, dated November 27, 2017, between the Company and Veracruz, Inc.</u>
<u>10.80*</u>	<u>Amendment to \$180,000 Promissory Note, dated December 29, 2017, between the Company and Lucas Hoppel</u>
<u>10.81*</u>	<u>Amendment to \$110,000 Convertible Promissory Note dated December 29, 2017 between the Company and Lucas Hoppel.</u>
<u>10.82*</u>	<u>\$220,000 Convertible Promissory Note, dated January 26, 2018, issued to Lucas Hoppel</u>
<u>10.83*</u>	<u>\$385,000 Convertible Promissory Note, dated February 19, 2018, issued to Lucas Hoppel</u>
<u>10.84*</u>	<u>Amendment to \$180,000 Promissory Note, dated February 19, 2018, between the Company and Lucas Hoppel</u>
<u>10.85*</u>	

Amendment to \$165,000 Promissory Note, dated February 19, 2018, between the Company and Lucas Hoppel

- 10.86* Judson Bibb representation and acknowledgement, March 7, 2018
- 10.87* Purchase Order from Jatropha, Inc. dated April 9, 2018.
- 10.88* Timothy Hassett employment agreement dated March 3, 2014
- 10.89* Amendment to Stock Purchase Agreement dated May 30, 2017 between the Company and KHIC, LLC
- 21.1 Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2015
- 31.1* Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cool Technologies, Inc.

Date: April 17, 2018

By: */s/ Timothy Hassett*
Timothy Hassett

Chairman and Chief Executive Officer,

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
<i>/s/ Timothy Hassett</i> Timothy Hassett	Chairman and Chief Executive Officer (Principal Executive Officer)	April 17, 2018
<i>/s/ Quentin Ponder</i> Quentin Ponder	Vice-Chairman, Chief Financial Officer, Treasurer and director (Principal Financial and Accounting Officer)	April 17, 2018
<i>/s/ Judson Bibb</i> Judson Bibb	Vice-President, Secretary and director	April 17, 2018
<i>/s/ Donald Bowman</i> Donald Bowman	Director	April 17, 2018
<i>/s/ Christopher McKee</i> Christopher McKee	Director	April 17, 2018
<i>/s/ Richard Schul</i> Richard Schul	Director	April 17, 2018

/s/ Daniel Ustian
Daniel Ustian

Director

April 17, 2018