

COOL TECHNOLOGIES, INC.  
Form 10-K  
March 30, 2016

**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, 2015**

**.. 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**

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(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.

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

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

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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 based upon the closing price of \$0.38 per share of such common stock as of June 30, 2015 was \$25,153,199.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 81,367,817 shares of common stock as of March 21, 2016.

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## PART I

### Item 1. Business

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

### Forward-Looking Statements

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

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

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

### Corporate History

We were incorporated on July 22, 2002 in the State of Nevada under the name Bibb Corporation. On September 3, 2010, we changed our name to Z3 Enterprises, Inc. ("Z3"), and on April 5, 2012, to HPEV, Inc. ("HPEV") and on August 19, 2015 our stockholders voted to approve a name change to Cool Technologies, Inc. Our 95% owned subsidiary, Ultimate Power Truck, LLC ("UPT"), was formed on April 17, 2014 in the State of Florida.

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

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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 March 21, 2016, we have five patents and seven US patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as 'thermal' or 'heat dispersion technology') and a parallel vehicle power platform. We also have a Patent Cooperation Treaty ("PCT") application filed for a heat pipe cooled brake system. The Company intends 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 the Company's 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.

## **Business Description**

We have developed and are commercializing dispersion technologies in various product platforms, and have developed and are commercializing an electric load assist technology around which we have designed a vehicle retrofit system. In conjunction, we have applied for trademarks for one of our technologies and its acronym. The Company currently has one trademark in the application process: TEHPC.

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

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

- Motors/Generators,
- Mobile auxiliary power,
- Compressors,
- Turbines (Wind, Micro),
- Bearings,
- Electric Vehicles: rail, off-highway, mining, delivery, refuse,
- Brakes/rotors/calipers,
- Pumps/fans,
- Passenger vehicles: auto, RV, bus, train, aircraft,
- Commercial vehicles: SUV, light truck, tram, bucket truck
- Military: boats, Humvee, truck, aircraft, and
- Marine: boats ranging in size from 30 feet to 120 feet and beyond.

## **Our Technologies**

Our technologies are divided into three distinct but complementary categories: heat dispersion technology, mobile electric power and electric load assist.

### ***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.

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 Emerson Electric, 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 the Cool Technologies heat dispersion system. The CoolTech 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. This should enable an OEM (original equipment manufacturer) to offer our technology as an option.

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 tests 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 the initial conversion vehicle.

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

#### ***Mobile Power Generation***

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).

Company management, along with key directors and members of the Board of Advisors have utilized Q1 of 2016 to do extensive market research, interview prospective customers, hold up-fitter meetings and perform channel to market evaluation. They have put the plans in place to ensure that we have proper coverage for upfront sales, specification influence, full up-fitting capabilities with aftermarket parts and service as we launch our MG30-MG80 products in the second half of 2016.

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

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. The reduction in overall weight and size should also deliver significant operating efficiencies and savings to work truck fleets.

### *Electric Load Assist Technology*

We have also developed proprietary Electric Load Assist ("ELA") technology. The technology is the centerpiece of our vehicle retrofit system (separate and apart from our heat pipe technology and heat dispersion product development partnerships), which also relies on the benefits of heat removal by composite heat structures and heat pipe architecture and is protected by patents and patents-pending.

With ELA, a vehicle engine does not have to work as hard, as some of the work that was done by the engine is now performed by an electric motor running in parallel. The vehicle still drives and feels the same, and our ELA controller allows full acceleration and braking control; however, the engine runs much more efficiently and burns significantly less fossil fuel. The ELA controller allows the vehicle operator to determine the amount of load assist during operation, ranging from all-fuel to all-electric. We believe that our ELA system will provide a significant difference and improvement from, and competitive advantage over, current market offerings such as the Toyota Prius. If either the electrical system or the internal combustion engine fails, an ELA vehicle can operate on the remaining system. In current market offerings, if either system fails, the vehicle fails.

We believe our ELA technology is compatible with any manufacturer as well as any power source, including traditional gasoline/diesel engines, compressed natural gas, batteries and fuel cells. We also believe that our technology will have a wide range of marine, aviation, industrial and military applications.

Initially, we plan to implement a simple version of our ELA system technology for on-board mobile auxiliary power, which we anticipate will generate revenue from transport companies and other businesses which own and/or manage fleets of Class 2, 3, 4 and 6 or light to medium-duty trucks. Our revenue model for the ELA technology will be to license the technology in exchange for royalties based on fuel savings.

## **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-MG80)***

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 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. Two companies dominate belt driven systems: Aura Systems, Inc. and Mobile Electric Power Solutions, Inc. ("MEPS"). Their 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"). According to Aura Systems' 2014 annual report filed on Form 10-K, the Aura Systems system is over 80% efficient at the low RPM range and is approximately 75% efficient at the very high RPM range. Aura Systems offers an axial-plus style motor and control that outputs up to approximately 16 kW. It must be noted, however, that Aura Systems, a public company, has fallen behind on its reporting and is no longer current.

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

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A variety of engine or transmission-based electrical power take-off systems also provide exportable power. They tend to output small amounts like 7 kW of 110/220 volt power.

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 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. A full description of all our anticipated features and benefits can be found on our website under the menu heading "Mobile Electric Power".

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.

We believe our competition in the mobile generator market will be from well-established companies such as Cummins, Caterpillar, Doosan, WackerNeuson, Multi Quip and Generac. All of them offer towable, trailer-mounted generators. Only Cummins Onan offers an onboard generator and it's 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 Cool Technologie's 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. Vehicle companies are also working to provide customers and partners with exportable power in conjunction with the development of hybrid vehicles. According to a January 2013 press release from VIA Motors, Inc., the company worked with Pacific Gas and Electric Company, the leading subsidiary of PG&E Corporation, to convert two GM trucks into plug-in hybrids that export 15 kW of power for about \$400,000, and is now working to boost that to 50 kW. VIA Motors plans to produce them commercially with prices in the \$70,000 range, according to a January 2012 article in Forbes.com.

#### *Electric Load Assist Technology*

While the new hybrid electric vehicle industry is intensely competitive and features several multi-national companies such as Ford, GM, Toyota, Volvo and Honda, we believe that the market for hybrid conversions is in its infancy. There are a number of small companies, such as EVDrive, Inc, selling do-it-yourself conversion kits for individual vehicles. XL Hybrids, Inc. offers hybrid conversions through aftermarket installers for specific van, delivery and shuttle vehicles. EV Power Systems, Inc. is involved in conversions for fleet vehicles. Workhorse Group Inc. is the holding company for AMP Electric Vehicles which manufactures electric drives for class 3-6 commercial trucks. Wrightspeed Inc. offers replacement electric drive trains for high fuel consumption vehicles. VIA Motors, Inc. is offering conversions of a GM pick-up, van and SUV. XL Hybrids technology features a bolt-on retrofit kit that attaches to the drive train and adds lithium ion batteries and a controller. To our knowledge, no other company is involved in developing and commercializing ELA technology in a parallel platform or an aftermarket commercial platform.

ALTe Powertrain Technologies and Eaton Corporation are converting commercial vehicles by replacing the entire power-train, including the engine, transmission, fuel tank and drive shaft. We intend to perform conversions by adding standard components along with a patented thermal-engineered traction motor and the patent-pending electric load assist.

We aim to compete in the fleet markets for currently-owned vehicles.

We believe the primary competitive factors in our markets include, but are not limited to:

- technological innovation; product quality and safety;
- product performance; and
- price.

To a limited extent, we will compete against new hybrid vehicles if a fleet owner has a vehicle that is near the end of its useful life elects to purchase a new hybrid vehicle rather than upgrade with a conversion to a plug-in hybrid. However, it may still be cost effective for the fleet owner to purchase a new vehicle and then add a conversion depending on the added cost for a new hybrid versus the conversion cost.

Some of our competitors and potential competitors may have greater resources than we do and may be able to respond more quickly and efficiently to changes in the marketplace, whether as a result technological, economic or customer requirements or preferences.

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. That 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. For plug-in, hybrid conversions, the Company plans to use off-the-shelf and made-to-order equipment combined with proprietary software owned by the Company and created specifically for use on our parallel platform. To that end, the Company has sourced and priced electric motors, generators and other components as well as software programming. We hope installations will be performed by licensees of our ELA technology, but we currently have no license agreements.

## **Suppliers**

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

Production level quantities will be handled by KATO Engineering, a brand manufactured by Emerson Industrial Automation, a division of Emerson Electric Company, with a backup of multiple other sources, if needed, such as Regal Beloit, Generac, etc. As for a supplier of our PPIG gearing system, our company has identified and is working with both North American and Asian partners. The balance of the components will be obtained from a number of other suppliers.

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, the wound stator and the rotor-shaft will be purchased from Nidec Motor Corporation or other partner sources such as Baldor Electric, Regal Beloit and others. The fully-machined castings will be purchased from the Quality Castings Company, located in Orville, Ohio. 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 March 8, 2016, we own five US patents and have seven patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications and a parallel vehicle platform. We also have a Patent Cooperation Treaty ("PCT") application filed for a heat pipe cooled brake system. In addition, we have applied for 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
	US	August 6, 2009	April 3, 2012	April 3, 2032	Totally Enclosed Heat Pipe Cooled Motor

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8,148,858

B2

8,198,770	US	April 3, 2009	June 12, 2012	June 12, 2032	Heat Pipe Bearing Cooler Systems and Methods
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B2

7,569,955	US	June 19, 2007	August 4, 2009	August 4, 2029	Electric Motor with Heat Pipes
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B2

### 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 keeping with Federal Motor Carrier Safety Administration regulations, the company has established a drug and alcohol policy; set up administrative procedures for recordkeeping, reporting, releasing information, and certifying compliance; provided our sole employee holding a commercial drivers' license with the necessary educational materials and training; and enrolled him in a random drug and alcohol testing program.

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.

In addition to an existing generator incorporating CoolTech 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.

The most significant regulatory burden the Company will face will be upon our hybrid conversion systems. All hybrid conversions must comply with Environmental Protection Agency ("EPA") emission standards.

Any change to the original configuration of an EPA certified vehicle, including alternative fuel conversion, may be a potential violation of the Clean Air Act prohibition against tampering. Exemption from the tampering prohibition may be available by demonstrating that emission controls in a converted vehicle will continue to function properly and that pollution will not increase as a result of conversion.

Our designs comply with EPA emission standards and we believe they will comply with future requirements including the new fuel efficiency and greenhouse gas emission standards set to take effect in 2016.

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 products will be designed to meet or exceed these requirements.

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The Company intends to add an electric load assist on a parallel platform to motor vehicles. No original vehicle parts will be significantly modified in the conversion process. There will be some additional parts (motor, drive, battery and sensors and controls) added, but these parts will not change how the vehicle operates in any way. Although we will be adding power directly to the rear wheels, 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.

All of our other components (motor, drive, batteries, controller/sensors) will be warranted by their respective manufacturers.

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 conversions 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, the Fixing America's Surface Transportation (FAST) Act reauthorized the tax credit for alternative fuel vehicle refueling property until December 31, 2016. 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, it would be eligible for a tax credit of the smaller of 30% of the vehicle's cost or \$30,000.

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 last year as well as the standards in other international markets, including Japan, Mexico, Australia, Brazil, Russia, India and China that are becoming more stringent.

Our ability to comply and to help licensees comply with these and future fuel standards is an essential element in establishing a leadership position in regulated markets. We have made, and will continue to make, significant capital and research expenditures to comply with these standards. Our failure to comply with these standards could result in adverse effects on our future financial results.

### **Employees**

As of March 21, 2015, we had four 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 2015 and 2014, we incurred research and development costs of \$824,711 and \$1,518,807, respectively. Such costs were not borne directly by customers.

### **Corporate Contact Information**

Our principal executive offices are located at 8876 Hidden River Parkway, Suite 300, Tampa, Florida 33637; Telephone No.: (813) 975-7467. Our website is located at <http://www.cooltechnologiesinc.com>. The content on our website is available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

### **Item 1A: Risk Factors**

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

**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, under a 36 month lease commencing July 1, 2014 for a monthly rent of \$2,568. The lease is renewable by the Company for two additional 36- month terms, subject to rental adjustment.

**Item 3. Legal Proceedings**

*U.S. District Court Action, District of Nevada*

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

On August 27, 2013, the Company filed a complaint in the United States District Court against Spirit Bear, Jay Palmer, and the two other former directors and Spirit Bear Board appointees, Carrie Dwyer and Donica Holt (Case 2:13-cv-01548) (the "Lawsuit") seeking judicial declaration that the Board resolutions from February 2013 authorizing the compensation of management and the issuance of debt and equity is valid and that the defendants are bound by the Settlement Agreement, dated April 12, 2013. The defendants have indicated that they will seek indemnification from the Company as a result of the Company initiating the Lawsuit. On October 9, 2013, the Company filed a First Amended Complaint which dismissed, without prejudice, Mr. Palmer, Mrs. Dwyer and Holt from the Lawsuit. On October 28, 2013, Spirit Bear responded to the Company's First Amended Complaint and asserted derivative third-party claims in the Lawsuit on behalf of HPEV ("Third Party Lawsuit") against Timothy Hassett, Theodore Banzhaf, Quentin Ponder, Judson Bibb and Mark Hodowanec ("Third Party Defendants").

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

On September 16, 2013, Jay Palmer brought an emergency petition for a writ ordering the Company to allow him to inspect the books and records of the Company. On October 1, 2013 the court granted Mr. Palmer the right to inspect the books and records regarding (a) all equity or debt issued by Company management since January 1, 2013 and (b) all compensation disbursed to the Company's executive officers since January 1, 2013, with an accounting of disbursements. On October 16, 2013, the Company received a letter from counsel to Spirit Bear identifying twenty five (25) categories of documents to be produced for Mr. Palmer's review. Company's counsel responded to this letter on November 8, 2013, and has yet to hear any response in connection with Mr. Palmer's emergency petition and no inspection of books and records has occurred or is currently scheduled.

On October 15, 2013, the Company filed an Emergency Motion for Partial Summary Judgment on its claim for Declaratory Relief in the Lawsuit in an effort to streamline the litigation as delay could have a negative impact on the business, including meeting contractual milestones by December 14, 2013. In the Motion, the Company sought a declaration that the resolutions are valid, the Company's capital raises are authorized and the settlement agreement signed with Spirit Bear on April 14, 2013 is valid and enforceable. Spirit Bear opposed the Company's Motion for Partial Summary Judgment. Among other things, Defendant Spirit Bear objected to the Company's designation of its Motion as a purported "emergency" because it improperly denied Spirit Bear the opportunity to respond to the Company's amended complaint, conduct discovery and investigate the Company's claims. By Order filed August 5, 2014, the Court found that genuine issues of material fact exist on the issues raised in the Motion and, on that basis, denied the Motion.



On January 22, 2014 Spirit Bear's counsel filed a motion to withdraw from representing Spirit Bear in the Lawsuit and Third Party Lawsuit. That Motion was granted on February 11, 2014. Spirit Bear was granted fourteen days to retain new counsel. That deadline was later extended by the Court. On March 13, 2014, new counsel for Spirit Bear filed a Notice of Appearance with the Court.

Also, on February 7, 2014, the Clerk of the Court filed a Notice that Spirit Bear's Third Party Lawsuit would be dismissed on March 9, 2014 unless Spirit Bear filed Proof of Service of their Summons and Complaint upon Third Party Defendants by that date. Spirit Bear's time for service was later extended to March 24, 2014. The Company believes that service of all the Third Party Defendants except Theodore Banzhaf occurred prior to March 2014 and Spirit Bear sought additional time to serve Mr. Banzhaf. A return of service was filed with the Court on May 5, 2014 asserting that Mr. Banzhaf was served on April 28, 2014.

On April 7, 2014, the Third Party Defendants, except Mr. Banzhaf who had not yet been served, filed a Motion to Dismiss the Third Party Complaint for, among other things, lack of personal jurisdiction and failure to state a claim upon which relief may be granted. Spirit Bear has opposed the Motion to Dismiss. On May 19, 2014, Mr. Banzhaf joined in the Motion to Dismiss. By Order dated June 26, 2014, the Court granted Spirit Bear's Motion to Amend its Answer, Third Party Complaint and Counterclaims (see below). The Court stated that it would "treat HPEV's motion [to dismiss] as a challenge to the newly amended third-party complaint and issue a separate order on that motion." By Order dated November 21, 2015, the Court granted the Motion to Dismiss as to Defendant Mark Hodowanec and denied it with respect to the other Defendants.

Also on April 7, 2014, Spirit Bear filed an Emergency Motion for a Preliminary Injunction which seeks an Order from the Court requiring the Company to maintain an effective registration statement with the SEC applicable to the HPEV securities that Spirit Bear previously acquired. The Company has opposed the Motion for Preliminary Injunction. By Order dated August 5, 2014, the Court denied Spirit Bear's Motion for Preliminary Injunction

On May 5, 2014, Spirit Bear filed a Motion for Leave to Amend its Answer to First Amended Complaint and Verified Derivative Counter & Third Party Claim. The Company opposed this Motion. However, by Order dated June 26, 2014, the Court granted Spirit Bear's Motion to Amend and on June 27, 2014, Spirit Bear filed its Amended Answer to First Amended Complaint; Amended Verified Derivative Counter and Third-Party Claim; and Verified Counterclaim. The Amended Counterclaim sets forth various causes of action against the Company including Breach of the Securities Purchase Agreement, Breach of the Implied Covenant of Good Faith and Fair Dealing with respect to the Securities Purchase Agreement, Breach of the Registration Rights Agreement, Breach of the Implied Covenant of Good Faith and Fair Dealing with respect to the Registration Rights Agreement, Conversion, Declaratory Relief seeking a declaration that (a) Spirit Bear's three designees to the Board (i.e. Palmer, Dwyer and Holt) remain holdover directors of the Company until their successors are elected, (b) every action taken by the Board since the annual meeting is not valid, (c) the Lincoln Park Registration Statement is not valid, (d) every action to be taken by the Board in the future is invalid, and (e).the amendment to HPEV's Bylaws from plurality voting to majority voting and the election of directors that occurred at the annual meeting was improper and invalid. The Company filed a Motion to Dismiss the Amended Counterclaim. By Order dated November 26, 2014, the Court denied the Company's Motion to Dismiss.

On May 12, 2014, Spirit Bear filed a Motion to Strike New Arguments Contained in the Reply to Spirit Bear's Opposition to Motion to Dismiss Third-Party Defendants. The Company opposed the Motion. By Order dated November 21, 2015, the Court denied Spirit Bear's Motion to Strike New Arguments. On June 13, 2014, Spirit Bear filed an Emergency Motion for Hearing Spirit Bear's Emergency Motion for a Federal Rule of Civil Procedure 16(a) Status Conference. This Motion essentially sought an order from the Court for a hearing to attempt to expedite a decision of Spirit Bear's Motion to Amend its Answer and Counterclaim. The Company opposed the Motion. Since the Court granted Spirit Bear's Motion to Amend by Order dated June 26, 2014, it denied the Motion for Hearing as moot.

On June 19, 2014, the Company filed two Motions as follows: (1) Motion for Leave to File Supplemental Points and Authorities to Opposition to Motion for Preliminary Injunction and (2) Motion to Supplement Opposition to Motion to Amend-Correct Complaint Re [39] Answer to Amended Complaint, Third Party Complaint, Counterclaim. The basis of these motions is that the Company obtained new information since it filed its oppositions to the two motions that it believes the Court should consider. Inasmuch as the Court granted Spirit Bear's Motion to Amend its Answer on June 26, 2014, it denied, as moot, the Company's Motion to Supplement Opposition to Motion to Amend-Correct Complaint Re [39] Answer to Amended Complaint, Third Party Complaint, Counterclaim. Inasmuch as the Court denied Spirit Bear's Motion for Preliminary Injunction, it denied as moot the Company's Motion for Leave to File Supplemental Points and Authorities to Opposition to Motion for Preliminary Injunction.

On July 8, 2014, Spirit Bear filed a Motion for Partial Summary Judgment regarding the composition of the Company's Board of Directors. The Motion sought an Order from the Court declaring that HPEV's Board is and has been comprised of six directors since March 6, 2013, which includes Timothy Hassett, Quentin Ponder and Judson Bibb (the "Management Directors") and the Spirit Bear Directors. The Company opposed

this Motion. By Order dated November 26, 2014, the Court granted Spirit Bear's Motion, in part, granting a partial declaratory judgment in favor of Spirit Bear declaring that Jay Palmer, Carrie Dwyer, and Donica Holt remained holdover director on the Company's board despite the January 2014 director election wherein they failed to receive a majority vote of the shareholders.

On January 28, 2015, the Company and its Management Directors entered into a comprehensive settlement agreement with Spirit Bear and its affiliates and assignees which, upon the purchase by the Company or its designee of certain specified securities held by Spirit Bear on a date and at an amount specified in the agreement, would permanently resolve, settle, dismiss, and release all actual and potential claims among them (except for breaches under the settlement agreement itself, if any were to arise) without liability therefore. Section 2.6 of the January 28 settlement agreement provides, in relevant part, that "any portion of public filings with the SEC addressing this settlement . . . shall require the approval of a majority of the voting members of the HPEV Board of Directors . . ." Attached to the January 28 settlement agreement was a Derivative Action Settlement Agreement related to shareholder derivative claims filed by Spirit Bear against the Management Directors in the matter styled HPEV, Inc. v. Spirit Bear Limited, No. 13-cv-01548 (JAD) (GWF) (D. Nev.). As indicated in the Derivative Action Settlement Agreement, the parties agreed, subject to receiving Court approval, to settle the derivative action filed by Spirit Bear against the Management Directors. The Court has given preliminary approval to the settlement of the derivative lawsuit, approved a Notice to Shareholders, and set April 30, 2015 as the deadline for filing any objections to the derivative suit settlement agreement. A complete and accurate copy of the fully executed January 28 settlement agreement, including a complete and accurate copy of the fully executed Derivative Action Settlement Agreement, was filed with the Securities and Exchange Commission as an attachment to the Schedule 13D/A filed by Spirit Bear on March 13, 2015. The Schedule 13D/A filing was not approved by a majority of the voting members of the Company's Board of Directors.

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 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.

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.

#### ***SEC Subpoena***

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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.

***New York Special Proceeding***

On May 6, 2014, Timothy Hassett initiated a New York Special Proceeding on behalf of HPEV, captioned *Hassett v. Palmer* (Case No. 14-004473), in which Hassett sought to compel Palmer, Dwyer and Holt to produce and submit for inspection and examination, the corporate books, records and other HPEV related documents, that Palmer, Dwyer and Holt have in their possession. Palmer, Dwyer, and Holt opposed Hassett's request and moved to dismiss the New York proceeding on July 2, 2014.

***Nevada Indemnification Case***

On July 9, 2014, Jay Palmer, Carrier Dwyer, and Donica Holt filed a complaint against HPEV in the Clark County District Court of Nevada (Case: A-14-703641-B), titled *Palmer, et. al. v. HPEV*, seeking indemnification and advancement of attorney's fees related to the New York Special Proceeding, captioned *Hassett v. Palmer* (Case No. 14-004473).

On October 2, 2014, the Court entered an order granting HPEV's Motion to Dismiss *Palmer, et. al. v. HPEV* (Case: A-14-703641-B), finding that Palmer, Dwyer, and Holt's request for indemnification and advancement of fees was not ripe for adjudication.

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

On September 25, 2014, HPEV filed a complaint against Spirit Bear, Jay Palmer and Robert Olins in the United States District Court for the Eastern District of New York (Case 14-CV-5619) (the "EDNY Action").

HPEV voluntarily dismissed the EDNY Action and re-filed its claims in the United States District Court for the Southern District of New York (Case No. 14-CV-9175) (the "SDNY Action") to accommodate the defendants' concerns regarding venue. The SDNY Action includes claims for: rescission of an August 2012 Note and Warrant Purchase Agreement on grounds of duress and fraud in the inducement; rescission of the Spirit Bear Securities Purchase Agreement on grounds of duress, fraud in the inducement, illegality, and negligent misrepresentation; rescission of the April 2013 settlement agreement with HPEV based on duress, and fraud in the inducement; breach of the April 2013 Settlement Agreement; breach of the covenant of good faith and fair dealing; and damages against Spirit Bear, Palmer and Olins for federal securities fraud and Nevada Securities fraud, as well as personal liability against Palmer and Olins for injury caused by Spirit Bear for the aforementioned causes of action. On January 29, 2015, all parties notified the court of the January 28, 2015 settlement agreement and requested a stay of all proceedings, which request was granted on February 3, 2015. The parties are scheduled to appear for a status conference on April 3, 2015.

On October 30, 2014, Manhattan Transfer Registrar Company filed an interpleader action in the United States District Court for the Eastern District of New York (Case No. 2:14-CV-6418) (the "Interpleader Action"), based in part on issues raised in the EDNY Action. The Interpleader Action was not dismissed or transferred following HPEV's filing of the SDNY Action. The Interpleader Action names as defendants HPEV and Michael Kahn, an individual, and seeks guidance from the Court regarding the defendants' rights concerning certain disputed shares of HPEV. On February 11, 2015, all parties to the Interpleader Action notified the Court of the January 28, 2015 settlement agreement and requested a stay of all proceedings. The Court granted a 60-day stay on February 13, 2015.

*U.S. District Court, District of Nevada*

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 22nd. No hearing is presently scheduled on this matter.

**Item 4. Mine Safety Disclosures**

Not applicable.

**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.

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>
March 31, 2015	\$ 0.74	\$ 0.46
June 30, 2015	\$ 0.58	\$ 0.37
September 30, 2015	\$ 0.43	\$ 0.17
December 31, 2015	\$ 0.30	\$ 0.10
March 31, 2014	\$ 2.00	\$ 0.39
June 30, 2014	\$ 2.05	\$ 0.80
September 30, 2014	\$ 1.00	\$ 0.56
December 31, 2014	\$ 0.65	\$ 0.45

The last reported sales price of our common stock on the OTCQB on March 21, 2016, was \$0.28.

As of March 21, 2016, there were 210 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.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information regarding our equity compensation plans as of December 31, 2015:

**Equity Compensation Plan Information**

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by security holders	--	--	--
Equity compensation plans not approved by security holders	39,651,275(1) \$	0.94	--

- (1) Represents (i) five options granted to Theodore Banzhaf, to purchase 1,000,000 shares each at such time as our common stock trades at \$1.50, \$1.75, \$2.00, \$2.25 and \$2.50 for 20 consecutive days or upon a change of control of the Company, while Mr. Banzhaf serves as President and for one year following Mr. Banzhaf's termination without cause. Exercise prices of these options will be equal to the closing price of the Company's stock on the date of vesting; (ii) options to purchase 1,000,000 shares of common stock at \$2.00 per share to each of Theodore Banzhaf, Timothy Hassett and Mark Hodowanec; (iii) options to purchase 2,000,000 shares of common stock at \$2.00 per share to Judson Bibb; and (iv) warrants to purchase 29,651,275 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**

We made the following sales of common stock and warrants to purchase shares of our common stock, which have a cashless exercise feature, in private offerings to accredited investors during the three months ended December 31, 2015:

On November 2, 2015, we issued 50,000 shares of our common stock to Monarch Bay Securities, LLC, for investor relations services provided to our company.

On December 3, 2015, we issued convertible debt with a principal balance of \$240,350, which is convertible into shares of our common stock at a conversion price of \$0.12 per share. We issued a three-year warrant to purchase 250,000 shares of common stock at an exercise price of \$0.175 per share and a three-year warrant to purchase 250,000 shares of common stock at an exercise price of \$0.210 per share. Pursuant to the terms of the agreements, we pledged 12,291,667 shares of our common stock as collateral.

On December 17, 2015, we sold 85,714 shares and a five-year warrant to purchase 30,000 shares of our common stock at an exercise price of 20% below the current market price of the stock on the day of exercise, 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 December 31, 2015, we issued three-year warrants to purchase 60,000 shares of our common stock at an exercise price of \$1.00 per share to the entity managing UPT. These warrants may be exercised on a cashless basis.

None of the above issuances involved any underwriters, underwriting discounts or commissions, or any public offering and we believe we are 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. There can be no assurances that we will be able to do so in this timeframe, or at all. We generally 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. In preparation, we have applied for a trademark for an acronym for our Totally Enclosed Heat Pipe Cooled technology or 'TEHPC',

Management is currently negotiating additional 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.

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

The markets for products utilizing our technology include consumer, industrial and military markets, both in the U.S. and worldwide. Our technologies are divided into three distinct but complementary categories: heat dispersion technology, mobile electric power and electric load assist technology.

### **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.

Under the PGC Agreement, on July 1, 2014, we also issued PGC three-year warrants as a sign-on bonus ("Sign-On Warrants") to purchase an aggregate of 350,000 shares of our common stock at an exercise price of \$1.00 per share exercisable upon the Company receiving revenues in excess of \$1,000,000.

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 Inverom and other companies developing products that include the Company's intellectual property.

#### ***SBI Note Purchase***

#### ***Note Purchase Agreement***

On December 3, 2015, the Company and SBI entered into a purchase agreement (the "Note Purchase Agreement"), pursuant to which SBI agreed to purchase up to \$295,000 principal amount of original issue discount secured promissory notes which bear interest at 10% per annum (the "Notes"). The initial Note, with a principal amount of \$240,350 and a purchase price of \$220,000 was issued upon the execution of the Note Purchase Agreement. The second Note will have a principal amount of \$54,650 and a purchase price of \$50,000 and will be issued within two days of the effectiveness of the Registration Statement. Both Notes mature one year from issuance. The Company's obligations under the Notes are secured by a pledge of shares of Common Stock pursuant to a pledge and security agreement (the "Pledge Agreement").

The Note Purchase Agreement also provides that SBI will receive three-year warrants to purchase 500,000 shares of Common Stock upon closing, at an exercise price equal to 125% of the closing price of the Common Stock as to 250,000 shares subject to the warrant, and at an exercise price of 150% of the closing price as to the other 250,000 shares.

The Note Purchase Agreement contains customary representations, warranties and agreements of the Company and SBI and indemnification rights of the parties. The Note Purchase Agreement also provides for certain limitations and conditions to future sale transactions. If the Company enters into variable rate transactions from the earlier of 18 months from the effectiveness of the registration statement or the date SBI

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invests \$2,000,000 in the Company, the Company must pay \$100,000 in cash to SBI (the "Moratorium Period"). For three months after the Moratorium Period, SBI has a right of first refusal if the Company offers, sells, transfers or disposes of any securities convertible into common stock.

### *Notes*

On December 2, 2015, the Company issued a Note in the principal amount of \$240,350 to SBI. The Note matures on December 1, 2016 and bears interest at a rate of 10% per annum to be paid quarterly on March 2, 2016, June 2, 2016, September 2, 2016 and December 1, 2016. If interest is not paid when due, the Note will accrue interest at a default rate of 22%.

After an event of default, as such events are described in the Note, SBI may convert the outstanding principal under the Note into common stock, provided that such conversion would not result in the beneficial ownership by SBI and its affiliates exceeding 4.99% of the then outstanding shares of the common stock, except with 61 days prior notice at the SBI's election. Upon an event of default, the conversion price of \$0.12 per share will be adjusted to a conversion price equal to a 30% discount to the average of the lowest three volume weighted average trading prices of the common stock during the three trading days prior to conversion. The conversion price is also subject to adjustment in the event of a public announcement of a major corporate action such as a merger, consolidation, sale of transfer of assets or tender or takeover offer.

Failure of the Company to timely deliver shares to SBI upon conversion will result in a payment to SBI of \$2,000 in cash, per day, or at SBI's option, such amount may be added to the principal amount of the Note.

The occurrence of certain corporate events, including the sale of substantially all assets, change in 50% of the voting power, a consolidation, merger or other business combination are deemed a default event.

Failure to pay principal and interest at maturity will require the payment of a default premium of 150%. The Note contains other default events.

Upon a distribution by the Company, SBI is entitled to receive the amount of assets which would have been payable had the Note been fully converted prior to the record date for the distribution.

If the Company issues common stock or rights or options to purchase common stock at a price per share or exercise or conversion price less than the conversion price of the Note the conversion price of the Note will be so reduced. SBI also has certain purchase rights as to future securities offering on a pro rata basis with the holders of the Company's common stock.

The Company agreed to restrict SBI's ability to convert the Note and receive shares of the Company if the number of shares of common stock beneficially held by SBI in the aggregate after such conversion exceeds 4.99% of the then outstanding shares of common stock.

The Company has the right to prepay the Note with a premium of up to 130% of all amounts owed to SBI depending upon when the prepayment is effectuated.

So long as the Company has obligations under the Note, it is subject to certain restrictions concerning stock dividends, distributions or repurchases, borrowings, sale of assets, and advances and loans.

### ***Warrants***

The Company issued to SBI two three-year warrants, each dated December 2, 2015, to purchase 250,000 shares of common stock. One warrant has an exercise price of \$0.285 and the other warrant has an exercise price of \$0.2375. Otherwise the terms of the warrants are the same.

The warrants may be exercised on a cashless basis at any time there is no effective registration statement or current prospectus for the resale of the shares issuable under the warrants (the "Warrant Shares") as determined by the VWAP of the common Stock on the date immediately preceding the notice of exercise.

Failure of the Company to timely deliver Warrant Shares to SBI upon exercise of the warrants will result in a payment to SBI of \$10 per trading day for the first five day days and \$20 per trading day thereafter for each \$1,000 exercised and not timely delivered. In addition, the Company is required to make a cash payment to SBI if SBI suffers a loss due to the failure of the Company to deliver Warrant Shares within 14 days of an exercise notice from SBI.

The Company may not issue Warrant Shares and SBI may not exercise the warrants if the number of shares of Common Stock beneficially held by SBI and its affiliates in the aggregate after such exercise exceeds 4.99% of the then outstanding shares of common stock. Furthermore, the Company may not, without stockholder approval, issue Warrant Shares if when aggregated with other shares of common stock issuable under the Purchase Agreement, Note Purchase Agreement and Notes would result in excess of 19.99% then outstanding shares of common stock.



The Warrant will be adjusted in the event of stock splits or dividends, and SBI will be entitled to certain purchase rights in subsequent rights offerings or distributions.

If the Company transfers all or substantially all of its assets, effectuates a recapitalization, capital reorganization or other exchange of shares (other than a stock split or dividend) or a sells, exchanges or tenders 50% of its outstanding common stock, SBI may exercise the warrants into the kind and number of shares or other securities or property receivable upon such transaction based upon the number of shares of common stock that could have been purchased upon the exercise of the warrant at the exercise price in effect immediately prior to such transaction.

Pursuant to the above transaction documents, the Company is required to reserve sufficient number of shares of common Stock to issue Draw Down Shares, Warrant Shares and in the case of the Notes, five times the number of shares issuable upon the full conversion of the Notes.

Pursuant to the terms of the Pledge Agreement, the Company pledged 12,291,667 shares of its common stock as collateral for its obligations to SBI.

#### **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, 2014 and 2015, which includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. In order to continue as a going concern, we must raise additional capital to begin to generate revenue from our three 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,		Change	%
	2015	2014		
Revenues	\$ --	\$ --	N/A	N/A
<b>Operating expenses</b>				
Payroll and related expenses	803,426	1,056,621	(253,195)	(24)%
Consulting	867,356	8,436,442	(7,569,086)	(90)%
Professional fees	614,935	946,273	(331,338)	(35)%
Research and development	824,711	1,518,807	(694,096)	(46)%
General and administrative	1,939,230	11,602,139	(9,662,909)	(83)%
Total operating expenses	5,049,658	23,560,282	(18,510,624)	(79)%
Other income and (expense)	(1,889,832)	(14,966)	(1,874,866)	12,528%
Net loss	(6,939,490)	(23,575,248)	16,635,758	(71)%
Less: Noncontrolling interest	(16,390)	(12,269)	(4,121)	34%
Net loss to CoolTech shareholders	\$ (6,923,100)	\$ (23,562,979)	\$ 16,639,879	(71)%

**Revenues**

During the years ended December 31, 2015 and 2014, 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 Cool Technologies.

**Operating Expenses**

Operating expenses decreased during the year ended December 31, 2015 compared to December 31, 2014, due primarily to lower equity-based payments to consultants and management, which accounts for \$16,402,498 of the decrease. The remaining decrease was due primarily to managing expenses, in particular travel costs.

*Other Income and Expense*

Interest expense in 2015 relates primarily to our debt, while in 2014 it related to interest on unpaid invoices for services. The change in fair value of derivative liability reflects the change in fair value of the warrants and conversion features embedded in the convertible debt agreements entered into in September and December 2015. The legal settlement expense in 2015 represents the difference between the value of the original warrants and the replacement warrants issued to Spirit Bear Ltd. ("Spirit Bear") under the First 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, 2015, we had cash and cash equivalents of \$10,882.

Working capital is the amount by which current assets exceed current liabilities. We had negative working capital of \$3,252,314 and \$1,244,784, at December 31, 2015 and 2014, respectively. The decrease in working capital was due to an increase in accounts payable and amounts due to related parties.

*September 2015 Convertible Note* -- In September 2015, we entered into a convertible note agreement, which allows us to borrow up to \$250,000, bearing interest at 10%, with principal and interest payable on September 15, 2017. We borrowed \$75,000 in September 2015 and \$50,000 in November 2015, for a total of \$125,000 as of December 31, 2015. 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 the lesser of \$0.305 per share or 65% of the volume weighted average price of our common stock during the five consecutive trading days immediately preceding the applicable conversion date. 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 consolidated balance sheet.

*December 2015 Convertible Note* -- In December 2015, we entered into a convertible note agreement, bearing interest payable quarterly at 10%, with principal due December 1, 2016. We received \$200,000 under the convertible note agreement, with an original issue discount of \$20,350 and \$20,000 distributed to the lender's legal counsel. As of December 31, 2015, the amount due under the convertible note agreement was \$240,350, with \$40,350 recorded as debt discount. We have the option to borrow another \$50,000 with a face amount of \$54,650. At the holder's option, a portion or all of the unpaid principal balance may be converted into shares of our common stock at a rate of \$0.12 per share. In the event of a default, the conversion price becomes 70% of the volume weighted average price of our common stock during the three consecutive trading days immediately preceding the applicable conversion date. We also issued warrants to purchase 500,000 shares of our common stock in two separate tranches for 250,000 shares each, with exercise prices of 125% and 150% of our common stock price on the day prior to closing the agreement, or \$0.175 per share and \$0.21 per share. We determined that the conversion feature and the warrants meet the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the consolidated balance sheet. The convertible note has prepayment penalties of 115%, 120%, 125% and 130%, respectively, in the event the note is settled within 45 days, 46-90 days, 91-120 days, and 121 days through the due date. We placed 12,291,667 shares of our common stock in escrow as collateral for this agreement.

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We executed an agreement on February 19, 2014, with Lincoln Park Capital Fund, LLC ("Lincoln Park"), which gave us the right to sell to Lincoln Park up to \$10,000,000 in shares of our common stock, subject to certain limitations, over a 36 month period, under a registration statement with respect to 4,671,785 shares of our common stock, which was declared effective by the SEC on July 3, 2014. The credit facility with Lincoln Park was mutually terminated as of April 23, 2015.

Separate from the above agreement, in April 2015, we entered into a subscription agreement with Lincoln Park, pursuant to which Lincoln Park agreed to purchase 555,556 shares of common stock and five year warrants to purchase 555,556 shares of common stock, for cash proceeds of \$225,000 at an exercise price of \$0.60 per share, net of \$25,000 retained by Lincoln Park for expenses. The warrants contain a cashless exercise provision.

### **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:

	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Net cash used in operating activities	\$ (2,240,049)	\$ (4,334,071)
Net cash used in investing activities	(18,634)	(68,603)
Net cash provided by financing activities	2,097,694	4,096,996

Net cash used in operating activities decreased primarily due to managing expenses, in particular travel costs. 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 decreased due to fewer sales of our common stock, which was partially offset by debt borrowings.

The Company's capital requirements for the next 12 months will consist of \$6 million with anticipated expenses of \$1.5 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 funding to support product development or for other purposes.

**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 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 condensed 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.

*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 does 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.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

To the Board of Directors

Cool Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Cool Technologies, Inc. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2015 and 2014, and the results of their operations and their cash flows for the years 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 \$38,699,245 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

March 30, 2016



## Cool Technologies, Inc. and subsidiary

## Consolidated Balance Sheets

	December 31,	
	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash	\$ 10,882	\$ 171,871
Prepaid expenses	95,175	57,018
Total current assets	106,057	228,889
Intangibles	153,434	139,800
Equipment, net	97,600	118,453
Total assets	\$ 357,091	\$ 487,142
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 1,278,307	\$ 529,736
Accrued liabilities – related party	591,870	489,535
Customer deposits – related party	400,000	400,000
Accrued payroll	33,737	14,167
Debt, current portion	697,903	40,235
Derivative liability	356,554	--
Total current liabilities	3,358,371	1,473,673
Debt, long-term portion	77,803	77,076
Total liabilities	\$ 3,436,174	\$ 1,550,749
Commitments and contingencies (Note 6)	--	--
Stockholders' (deficit) equity:		
Preferred stock, \$.001 par value; 15,000,000 shares authorized; 136 and 140 shares issued and outstanding at December 31, 2015 and 2014, respectively	--	--
Common stock, \$.001 par value; 140,000,000 shares authorized; 66,600,367 and 61,439,134 shares issued and outstanding at December 31, 2015 and 2014, respectively	65,929	60,767
Additional paid-in capital	36,038,551	30,864,669
Common stock issuable	180,900	435,930
Common stock held in escrow	8,441	8,441
Accumulated deficit	(39,344,245)	(32,421,145)
Total Cool Technologies (deficit) equity	(3,050,424)	(1,051,338)
Noncontrolling interest in subsidiary	(28,659)	(12,269)
Total stockholders' (deficit) equity	(3,079,083)	(1,063,607)
Total liabilities and stockholders' (deficit) equity	\$ 357,091	\$ 487,142

See accompanying notes to consolidated financial statements.

## Cool Technologies, Inc. and subsidiary

## Consolidated Statements of Operations

	Year ended December 31,	
	2015	2014
Revenues	\$ --	\$ --
Cost of revenues	--	--
Gross profit	--	--
Operating expenses		
Payroll and related expenses	803,426	1,056,621
Consulting	867,356	8,436,442
Professional fees	614,935	946,273
Research and development	824,711	1,518,807
General and administrative	1,939,230	11,602,139
Total operating expenses	5,049,658	23,560,282
Operating loss	(5,049,658)	(23,560,282)
Other income and (expense)		
Interest expense, net	(75,145)	(14,966)
Change in fair value of derivative liability	(50,237)	--
Legal settlement – replacement warrants	(1,764,450)	--
Net loss	(6,939,490)	(23,575,248)
Less: Noncontrolling interest in net loss	(16,390)	(12,269)
Net loss to Cool Technologies shareholders	\$ (6,923,100)	\$ (23,562,979)
Net loss per common share:		
Basic and diluted	\$ (0.11)	\$ (0.42)
Weighted average common shares outstanding:		
Basic and diluted	64,586,781	56,742,881

See accompanying notes to consolidated financial statements

**Cool Technologies, Inc. and subsidiary**

**Consolidated Statements of Changes in Stockholders' (Deficit) Equity**

<b>Preferred Stock</b>	<b>Common Stock</b>	<b>Additional</b>	<b>Common</b>	<b>Common</b>	<b>Accumulated</b>	<b>Non-</b>
<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Paid-in</b>	<b>Capital</b>	<b>Stock</b>
<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Capital</b>	<b>Issuable</b>	<b>Held in</b>
						<b>Escrow</b>
						<b>Controlling</b>