MORGAN STANLEY
Form FWP
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Morgan Stanley Finance LLC	Free Writing Prospectus to Preliminary Terms No. 1,823 Registration Statement Nos. 333-221595; 333-221595-01 Dated April 1, 2019 Filed pursuant to Rule 433

Structured Investments

Jump Notes with Auto-Callable Feature due May 3, 2024

This document provides a summary of the terms of the notes offered by Morgan Stanley Finance LLC. Investors should review carefully the accompanying preliminary terms, product supplement and prospectus prior to making an investment decision.

SUMMARY TERMS

Issuer:	Morgan Stanley Finance LLC ("MSFL")
Guarantor:	Morgan Stanley
Maturity date:	May 3, 2024
Underlying indices:	Morgan Stanley MAP Trend Index. For more information about the underlying indices, see the accompanying preliminary terms.
Issue Price	$1,000 per note
Early redemption:	If, on any annual determination date (other than the final determination date), the index closing value of the underlying index is **greater than or equal to** the then-applicable redemption threshold level, the notes will be automatically redeemed for the applicable early redemption payment on the related early redemption date. No further payments will be made on the notes once they have been redeemed.
Early redemption payment:	The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of at least approximately 7.50% *per annum*, to be determined on the pricing date) for each annual determination date, as follows: 1st determination date: At least $1,075.00 2nd determination date: At least $1,150.00 3rd determination date: At least $1,225.00 4th determination date: At least $1,300.00 No further payments will be made on the notes once they have been redeemed.
Determination dates:	1st determination date: May 1, 2020 2nd determination date: April 30, 2021 3rd determination date: May 2, 2022 4th determination date: May 1, 2023

	Final determination date: April 30, 2024 The determination dates are subject to postponement for non-index business days and certain market disruption events.
Early redemption dates:	The third business day following the relevant determination date
Redemption threshold levels*:	1st determination date: At most 102.00% of the initial index value 2nd determination date: At most 104.00% of the initial index value 3rd determination date: At most 106.00% of the initial index value 4th determination date: At most 108.00% of the initial index value *The actual redemption threshold level percentage with respect to each determination date will be determined on the pricing date.
Payment at maturity:	If the notes have not previously been redeemed, you will receive at maturity a cash payment as follows: · If the final index value is **greater than** the initial index value: $1,000 + ($1,000 x index percent change) · If the final index value is **less than or equal to** the initial index value: $1,000
Index percent change:	(final index value – initial index value) / initial index value
Initial index value:	The index closing value on the pricing date
Final index value:	The index closing value on the final determination date
Stated principal amount:	$1,000 per note
Pricing date:	April 30, 2019
Original issue date:	May 3, 2019 (3 business days after the pricing date)
CUSIP / ISIN:	61768D5X9 / US61768D5X90
Listing:	The notes will not be listed on any securities exchange.
Agent:	Morgan Stanley & Co. LLC, an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental information regarding plan of distribution; conflicts of interest” in the accompanying preliminary terms. The agent commissions will be as set forth in the final pricing supplement.
Estimated value on the pricing date:	Approximately $973.90 per note, or within $30.00 of that estimate. See “Investment Summary” in the accompanying preliminary terms.

Overview

The notes offered are unsecured obligations of MSFL and are fully and unconditionally guaranteed by Morgan Stanley. The notes will pay no interest and have the terms described in the accompanying preliminary terms, product supplement and prospectus. The notes will be automatically redeemed if the index closing value on any annual determination date is greater than or equal to the then-applicable redemption threshold level (which will increase over

the term of the notes), for an early redemption payment that will increase over the term of the notes and that will correspond to a return of at least approximately 7.50% *per annum* (to be determined on the pricing date), as described below. No further payments will be made on the notes once they have been redeemed, and the investor will not participate in any appreciation of the underlying index if the notes are redeemed early. At maturity, if the notes have not previously been redeemed and the final index value is greater than the initial index value, investors will receive the state principal amount *plus* 1-to-1 upside performance of the underlying index. However, if the notes are not automatically redeemed prior to maturity and the final index value is less than or equal to the initial index value, investors will receive only the stated principal amount of their investment, without any positive return on the notes.

The Morgan Stanley MAP Trend Index (the "underlying index") was established by Morgan Stanley on March 7, 2017 and employs a rules-based quantitative strategy (the "Index Methodology") that combines a risk-weighted approach to portfolio construction with a momentum-based, or trend-following, asset allocation methodology to construct a notional portfolio. In addition, the strategy imposes an overall volatility-targeting feature upon the resulting portfolio. The goal of the underlying index is to seek positive return opportunities in different market environments based upon recent trends in the underlying assets. The investment assumption underlying the allocation strategy is two-fold: that historical volatility of the underlying assets can be used to risk-weight a portfolio, and that past trends are likely to continue to be a good indicator of the future performance of that portfolio

The components of the underlying index consist of (i) 20 U.S.-listed exchange traded funds ("ETFs"), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and (ii) the Morgan Stanley Two Year Treasury Index (collectively, the "Index Components"). The notional portfolio constructed by the Index Methodology of Index Components is referred to as the "Asset Portfolio." The Asset Portfolio will consist of long-only positions in each Index Component, and each Index Component except for the Morgan Stanley Two Year Treasury Index is subject to a maximum exposure cap. The targeted volatility for the underlying index is 5% (the "Volatility Target").

The underlying index is rebalanced each Strategy Business Day (the "Daily Rebalancing"). Upon each Daily Rebalancing for the underlying index, the Index Methodology uses the pre-assigned Risk Budget assigned to each ETF (as set forth under "Annex A – Morgan Stanley MAP Trend Index – Index Components") and the volatility for each ETF to make initial base allocations. The Index Methodology then calculates a signal based on the upward or downward trend of each ETF (the "Trend Signal"). The index calculates each Trend Signal by observing two moving averages, one short-term and one long-term, over different look-back periods for each respective ETF. A Trend Signal that converges toward one indicates an upward trend and a Trend Signal that converges toward zero indicates a downward trend. Once the Trend Signal is calculated for each ETF, the previously determined base allocations are scaled by the Trend Signal by allocating more upward-trending securities to the Asset Portfolio. The magnitude of each position taken by the underlying index following the Trend Signal adjustment is then scaled to the Volatility Target based on a pro-rata volatility-scaling that seeks to achieve a balanced level of volatility in the underlying index's exposure to each of the ETFs.

The underlying index is calculated on an excess return basis, and therefore the level reflects the weighted return of the Asset Portfolio reduced by the return on an equivalent cash investment receiving the 3-month LIBOR. The underlying index performance is further reduced by a servicing cost of 0.85% per annum calculated on a daily basis. For more information about the underlying index, see "Morgan Stanley MAP Trend Index Overview" and "Risk Factors" in the accompanying preliminary terms.

These long-dated notes are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, who are willing to accept that the underlying index's Volatility Target feature may reduce upside performance in bullish markets, and who are willing to forgo current income in exchange for the possibility of receiving an early redemption payment or payment at maturity greater than the stated principal amount if the underlying index closes at or above the applicable redemption threshold level or above the initial index value, as applicable, on an annual determination date. The notes are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These notes are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

Investing in the notes involves risks. See "Selected Risks" on the following page and "Risk Factors" in the accompanying preliminary terms.

You should read this document together with the accompanying preliminary terms, product supplement and prospectus describing the offering before you decide to invest. You may access the preliminary terms through the below link:

https://www.sec.gov/Archives/edgar/data/895421/000095010319004304/dp104729_424b2-ps1823.htm

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free 1-800-584-6837.

Risk Considerations

The risks set forth below are discussed in more detail in the "Risk Factors" section in the accompanying preliminary terms. Please review those risk factors carefully prior to making an investment decision.

- The notes do not pay interest and may not pay more than the stated principal amount at maturity.
- If the notes are automatically redeemed prior to maturity, the appreciation potential of the notes is limited by the fixed early redemption payment specified for each of the first four annual determination dates.
- The automatic early redemption feature may limit the term of your investment to as short as approximately one year. If the notes are redeemed early, you may not be able to reinvest at comparable terms or returns.
- The redemption threshold level increases progressively over the term of the notes.
- The market price of the notes will be influenced by many unpredictable factors.
- The notes are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the notes.
- As a finance subsidiary, MSFL has no independent operations and will have no independent assets.
- There are risks associated with the underlying index.
  - The level of the underlying index can go down as well as up.
  - The base allocation of ETFs in the Asset Portfolio is determined in reference to each ETF's Risk Budget and volatility.
  - There are risks associated with the underlying index's momentum investment strategy.
  - Low volatility in the underlying index is not synonymous with low risk in an investment linked to the underlying index.

- o While the underlying index has a Volatility Target of 5%, there can be no guarantee, even if the Asset Portfolio is rebalanced daily, that the realized volatility of the underlying index will not be less than or greater than 5%.
- o There can be no assurance that the actual volatility of the underlying index will be lower than the volatility of any or all of the Index Components.
- o The volatility target feature of the underlying index may dampen its performance in bullish markets.
- o The value of the underlying index and any instrument linked to the underlying index may increase or decrease due to a number of factors, many of which are beyond our control.
- o The future performance of the underlying index may bear little or no relation to the historical or hypothetical retrospective performance of the underlying index.
- o The underlying index is particularly susceptible to “choppy” markets.
- o The underlying index has fixed weighting constraints.
- o The underlying index was established on March 7, 2017 and therefore has a very limited history.
- o As the underlying index is new and has very limited actual historical performance, any investment in the underlying index may involve greater risk than an investment in an index with longer actual historical performance and a proven track record.
- o The underlying index is reduced by an excess return cost.
- o The underlying index contains embedded costs.
- o An investment in the notes involves risks associated with emerging markets equities and bonds, currency exchange rates and commodities.
- o Changes in the value of the Index Components may offset each other.
- o The Morgan Stanley Two Year Treasury Index can produce negative returns, which may have an adverse effect on the level of the respective Sub-Indices, and consequently, the level of the index.
- o Adjustments to the underlying index could adversely affect the value of instruments linked to the underlying index.
- o Investing in the notes is not equivalent to investing in the underlying index. Investing in the notes is not equivalent to investing in the underlying index or its component ETFs or the Morgan Stanley Two Year Treasury Index.
- o Reliance on information.
- o Research.

- · MS & Co., which is a subsidiary of Morgan Stanley and an affiliate of MSFL, is both the calculation agent and the underlying index publisher, and will make determinations with respect to the notes and the underlying index.
- · The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the notes in the original issue price reduce the economic

terms of the notes, cause the estimated value of the notes to be less than the original issue price and will adversely affect secondary market prices.

- The estimated value of the notes is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.

- Adjustments to the underlying index could adversely affect the value of the notes.

- Investing in the notes is not equivalent to investing in the underlying index.

- The notes will not be listed on any securities exchange and secondary trading may be limited. Accordingly, you should be willing to hold your notes for the entire 5-year term of the notes.

- Hedging and trading activity by our affiliates could potentially adversely affect the value of the notes.

Tax Considerations

You should review carefully the discussion in the accompanying preliminary terms under the caption “Additional Information About the Notes– Tax considerations” concerning the U.S. federal income tax consequences of an investment in the notes. However, you should consult your tax adviser regarding all aspects of the U.S. federal income tax consequences of an investment in the notes, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Hypothetical Examples

The following hypothetical examples are for illustrative purposes only. Whether the notes are redeemed prior to maturity will be determined by reference to the index closing value of the underlying index on each annual determination date, and the payment at maturity, if the notes are not redeemed early, will be determined by reference to the index closing value on the final determination date. The actual initial index value, redemption threshold level and early redemption payment amounts will be determined on the pricing date. Some numbers appearing in the examples below have been rounded for ease of analysis. All payments on the notes are subject to our credit risk. The below examples are based on the following terms:

Stated principal amount:	$1,000 per note
Hypothetical Initial Index Value:	200
Hypothetical Redemption Threshold Levels:	1st determination date: 204, which is 102.00% of the hypothetical initial index value 2nd determination date: 208, which is 104.00% of the hypothetical initial index value 3rd determination date: 212, which is 106.00% of the hypothetical initial index value 4th determination date: 216, which is 108.00% of the hypothetical initial index value
Hypothetical Early Redemption Payment:	The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of approximately 7.50% *per annum*) for each annual determination date, as follows: •Ist determination date: $1,075.00 •Jnd determination date: $1,150.00 •Krd determination date: $1,225.00 •Lth determination date: $1,300.00 No further payments will be made on the notes once they have been redeemed.
Payment at Maturity:	If the notes have not previously been redeemed, you will receive at maturity a cash payment as follows: · If the final index value is **greater than** the initial index value: $1,000 + ($1,000 x index percent change) · If the final index value is **less than or equal to** the initial index value: $1,000

Automatic Call:

Example 1 — the notes are redeemed following the second determination date (which occurs in April 2021)

Date	Index Closing Value	Payment (per note)
1st Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
2nd Determination Date	280 (at or above the applicable redemption threshold level, notes are automatically redeemed)	$1,150.00

In this example, the index closing value on the first determination date is below the applicable redemption threshold level, and the index closing value on the second determination date is at or above the applicable redemption threshold level. Therefore the notes are automatically redeemed on the second early redemption date. Investors will receive $1,150.00 per note on the related early redemption date, corresponding to an annual return of approximately 7.50%. No further payments will be made on the notes once they have been redeemed, and investors do not participate in the appreciation of the underlying index.

Payment at Maturity:

In the following examples, the index closing value on each annual determination date is less than the applicable redemption threshold level, and, consequently, the notes are not automatically redeemed prior to, and remain outstanding until, maturity.

Example 1 — the final index value is above the initial index value

Date	Index Closing Value	Payment (per note)
1st Determination Date	190 (below the applicable redemption threshold level, notes are not redeemed)	--
2nd Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
3rd Determination Date	195 (below the applicable redemption threshold level, notes are not redeemed)	--
4th Determination Date	201 (below the applicable redemption threshold level, notes are not redeemed)	--
Final Determination Date	220 (above the initial index value)	= $1,000 + ($1,000 x index percent change) = $1,000 + $100 = $1,100 Payment at maturity = $1,100

In this example, the index closing value is below the applicable redemption threshold level on each of the determination dates before the final determination date, and therefore the notes are not redeemed prior to maturity. On the final determination date, the underlying index has appreciated 10% from the hypothetical initial index value. At maturity, investors receive the stated principal amount *plus* the product of the stated principal amount *times* the index percent change. Because the underlying index has appreciated 10% from the hypothetical index value, the payment at maturity is $1,100 per note.

Example 2 — the final index value is at or below the initial index value

Date	Index Closing Value	Payment (per note)
1st Determination Date	190 (below the applicable redemption threshold level, notes are not redeemed)	--
2nd Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
3rd Determination Date	195 (below the applicable redemption threshold level, notes are not redeemed)	--
4th Determination Date	201 (below the applicable redemption threshold level, notes are not redeemed)	--

Final Determination Date	180 (at or below the initial index value)	Payment at maturity = $1,000

In this example, the index closing value is below the applicable redemption threshold level on each of the determination dates before the final determination date, and therefore the notes are not redeemed prior to maturity. On the final determination date, the final index value is at or below the initial index value, and accordingly, investors receive a payment at maturity equal to the stated principal amount of $1,000 per note, without any positive return on the notes.

XT-INDENT: 0pt; DISPLAY: block; MARGIN-LEFT: 0pt; MARGIN-RIGHT: 0pt" align="left">Revenues

As the Company was in the process of commercializing its technologies, we had no revenues for the fiscal years ended December 31, 2012 and December 31, 2011.

Expenses

Operating expenses for the fiscal year ended December 31, 2012 were $52,311 as compared to operating expenses of $5,124,215 for the fiscal year ended December 31, 2011.

Our operating expenses in fiscal 2012 have consisted primarily of professional fees, payments to consultants and research and development. The Company incurred $1,902,392 of equity compensation to consultants, the reversal of $2,650,000 of director compensation to Judson Bibb which was paid from shares contributed by PPEG.

In fiscal 2011, operating expenses consisted primarily of professional fees, payments to consultants and research and development as well. The Company incurred $1,604,580 of equity compensation to consultants, $2,650,000 of director compensation to Judson Bibb which were paid from shares contributed by PPEG, $100,000 in loss on an investment deposit and a loss on intellectual property deposit of $75,000.

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Net Loss

In fiscal 2012, the Company incurred net losses of $696,357 whereas in fiscal 2011, the Company incurred net losses of $5,124,215.

INCOME TAXES

During the year ended December 31, 2012, the Company recorded an income tax benefit from continuing operations of $483,525. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carry forward period.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically met its liquidity and capital requirements primarily through the private placement of equity securities and loans.

On September 7, 2010, the Company entered into a loan agreement with PPEG for an interest-free loan up to $1,000,000 (the "PPEG Loan Agreement"). The Company borrowed an aggregate of $911,894 under the PPEG Loan Agreement which was used for the Company's operations, potential acquisitions, acquisition of intellectual property rights and HPEV, Inc. As of December 31, 2012, $911,894 outstanding under the PPEG Loan Agreement was forgiven pursuant to the Debt Settlement Agreement. PPEG agreed to forgive all outstanding debt and accrued interest under the loan in exchange for approximately 79% (representing its pro rata interest) of $400,000 to be paid in monthly increments if the Company's revenues reach $1 million.

On March 3, 2012, the Company entered into a loan agreement with Action Media Group, LLC, an Arizona limited liability company ("Action Media") for $500,000 but under which it only borrowed $250,000. The terms of the loan included a 3% annual interest and payment of principal and interest to begin upon a mutual agreed upon date in the future. Maturity of the loan was perpetual or upon mutual agreement of both parties or if conditions are breached or in default. In connection with the Debt Settlement Agreement, entered into on December 11, 2012, Action Media agreed to forgive all outstanding debt and accrued interest under the loan in exchange for approximately 21% (representing its pro rata interest) of $400,000 to be paid in monthly increments if the Company's revenues reach $1 million.

On August 8, 2012, Spirit Bear provided us a $186,222 bridge loan which matured in 180 days (which was subsequently extended on October 26, 2012 to November 30, 2012). In consideration therefore, we agreed to issue Spirit Bear warrants to purchase up to 1,484,598 shares of our common stock, par value $0.001 per share at an exercise price of $0.35 per share.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear (i) 200 shares of the Company's Series A Convertible Preferred Stock (the "Preferred Stock") and (ii) warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock at an exercise price of $0.35 per share (subject to adjustment as provided in the warrant); 2,000,000 shares of the Company's common stock at an exercise price of $0.50 per share (subject to adjustment as provided in the warrant); and 2,000,000 shares of the Company's common stock at an exercise of $0.75 per share (subject to adjustment as provided in the warrant). The aggregate purchase price for sale of the Preferred Stock and warrants was $500,000, of which $313,778 was paid in cash and $186,222 was paid by cancellation of $186,222 in outstanding indebtedness held by Spirit Bear. The warrants may be exercised on a cashless basis.

Each share of the Preferred Stock is convertible into 50,000 shares of the Company's common stock at a conversion price of $2,500 per share.

The holders of each share of Preferred Stock are entitled to be paid prior and in preference to any payment or distribution of any available funds and assets on any shares of common stock, an amount per share equal to the Liquidation Price ($2,500 per share of the Preferred Stock) of the Preferred Stock.

Pursuant to the Securities Purchase Agreement, the Company may sell Spirit Bear up to 200 additional shares of Preferred Stock and warrants to purchase up to 6,000,000 shares of the Company's common stock. The Company has the option to require Spirit Bear to purchase up to an additional 200 preferred shares and associated warrants in the event of written certification from a federally licensed testing facility reasonably acceptable to Spirit Bear, evidencing that four motors incorporating the Company's technology have been comprehensively tested in accordance with applicable NEMA, ANSI and IEEE standards and that the results of these tests meet or exceed the minimum requirements for certification under those standards and that such four motors incorporating the Company's technology have passed tests with respect to (i) IEEE 112 in Methods E, E1, F or F1 with a maximum horsepower of 4,000 for F or F1, (ii) sound pressure testing to IEEE 85 and NEMA MG1 20 standards, (iii) bearing temperature testing, (iv) speed versus torque/current testing, (v) polarization index testing per IEEE 45 standards, and (vi) IEEE 112 Method B for full efficiency; and that testing evidences an improvement in power density of at least 12.% compared to the same motor not incorporating the Company's technology.

In the event the Company has not received the certification notice within 180 calendar days after December 14, 2012, Spirit Bear has a twelve month option to purchase the additional 200 preferred shares and associated warrants.

On December 31, 2012, pursuant to a debt settlement agreement by and among the Company, PPEG, Action Media (PPEG and Action Media collectively, the "Debt Holders") and Spirit Bear, the Debt Holders agreed to forgive debt of $1,161,894 and accrued interest owed to them by the Company (the "Debt") and release the Company of (i) any future liability or claim related to the Debt, (ii) any future liability or claim related to shares of any class of equity in the Company, and (iii) any obligation or liability of the Company.

Pursuant to the Debt Settlement agreement, the Debt Holders deposited 4,676,000 shares of common stock in escrow. Upon the filing of a registration statement with the SEC, on January 11, 2013, 3, 676,000 shares were cancelled and returned to treasury. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at $0.40 per share at the rate of $10,000 per month commencing within 90 days after HPEV achieves $1,000,000 in gross revenues for products or services from business operations.

On April 12, 2013, the Company and Spirit Bear Limited reached agreement regarding the settlement of allegations that the Company did not perform certain obligations pursuant to the Securities Purchase Agreement dated December 14, 2012 with Spirit Bear, and with respect to certain actions taken by the Company with respect to providing compensation to its management. Spirit Claim claimed, among others, that such actions triggered the anti-dilution protection provided to Spirit Bear in the Securities Purchase Agreement. Spirit Bear agreed to discharge the Company from all claims Spirit Bear may have had as well as to forgo all actions of any kind related to those claims which existed on or prior to April 12, 2013. Both parties also agreed that the signing of the agreement did not constitute an admission of wrongdoing or liability.

To satisfy the allegations, the Company and Spirit Bear agreed to amend the Certificate of Designation to provide that each share of Series A Convertible Preferred Stock can be converted into 50,000 shares of common stock and have the voting rights equal to 50,000 shares. Previously, each share of preferred stock was convertible into 20,000 shares of common stock and had the voting rights equal to 20,000 shares.

The Company and Spirit Bear also agreed to change the terms of the option provided to Spirit Bear in the Securities Purchase Agreement. The new language provides that the Company can sell up to 200 additional preferred shares and warrants to Spirit Bear, or other qualified investors designated by Spirit Bear, if before December 14, 2013, the Company's technology incorporated in (i) three motors or alternators or (ii) two motors and one auxiliary mobile power system are comprehensively tested in accordance with applicable standards and the results of those tests meet or exceed minimum requirements for certification under those standards. If the milestones are not met prior to such date, Spirit Bear retains its right to purchase 200 additional preferred shares and warrants until December 14, 2014.

As of December 31, 2012, the Company had cash of approximately $194,721.

During the year ended December 31, 2012, the Company had a working capital of $304,705. Cash outflow from operating activities was $743,370. Net loss was adjusted by director's stock compensation that was returned of $2,650,000, amortization of prepaid stock issued for services of $1,627,910, a gain on settlement of debt of $256,021, warrants issued for finance cost and interest penalties associated with the Spirit Bear loan and financing arrangement with Crone Law totaling $1,029,193. Cash outflow from investing activities were $29,018 consisting of direct legal fees incurred for patents assigned to HPEV. Cash inflow from financing activities of $816,000 consisted of $500,000 from the sale of preferred stock, $5,000 from sales of common stock, $439,722 in loans from Action Media and Spirit Bear and $62,200 in proceeds from related parties and $189,722 repayment of Spirit Bear loan and $1,200 repayment of related party notes.

We have an accumulated deficit since inception of $5,820,572 and our auditors have expressed substantial doubt about our ability to continue as a going concern unless we are able to generate revenues.

The following table provides selected financial data about our Company for the year ended December 31, 2012

Balance Sheet Data:	12/31/2012
Cash in bank	$194,721
Total assets	$641,982
Total liabilities	$263,695
Stockholders' equity	$378,287

We are in the process of creating our initial commercialization of our plug in hybrid conversion system and incorporating our thermal technology in a variety of rotating machinery. There is no guarantee we will be successful in completing our proposed business plans.

Cash Requirements

Our cash on hand as of December 31, 2012 was $194,721. Our cash on hand as of December 31, 2011 was $78,361.

Sources and Uses of Cash

Operations

Our net cash used by operating activities for the year ended December 31, 2012 was $743,370 which consisted primarily of stock issued for services, amortization of financing costs, warrants issued for loan penalty and warrants issued for interest. For the year ended December 31, 2011, our net cash used by operating activities was $475,929 which consisted of stock issued for services and impairment of intangible assets and deposit. Compensation in the form of $2,650,000 in common stock given to a director by a shareholder was credited in 2011 and debited in 2012 as a consequence of its return to the shareholder.

Investments

Our net cash used by investing activities for the year ended December 31, 2012 was $(29,018) which consisted of payments to patent attorneys for filings. For the year ended December 31, 2011, our net cash used by invested activities was $44,527 which consisted of payments to patent attorneys with the exception of $37 acquired in the reverse merger.

Financing

Our net cash provided by financing activities for the year ended December 31, 2012 was $816,000, which consisted of proceeds from the sale of common stock and warrants to accredited investors. Our net cash provided by financing activities for the year ended December 31, 2011 was $598,817 which consisted of proceeds from notes payable to a related party and the sale of common stock to an accredited investor.

Debt Instruments, Guarantees, and Related Covenants

As previously disclosed on the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 20, 2012, pursuant to the Securities Purchase Agreement entered into between the Company and Spirit Bear Limited, $186,222 of debt owed to Spirit Bear by the Company was cancelled as part of the consideration for Spirit Bear's purchase of (i) 200 shares of the Company's Series A Convertible Preferred Stock, $.001 per share and (ii) warrants to purchase (i) 2,000,000 shares of the Company's common stock at an exercise price of $0.35 per share (subject to adjustment as provided in the warrant); (ii) 2,000,000 shares of the Company's common stock at an exercise price of $0.50 per share (subject to adjustment as provided in the warrant); (iii) 2,000,000 shares of the Company's common stock at an exercise of $0.75 per share (subject to adjustment as provided in the warrant).

As previously disclosed on the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2012, pursuant to a Debt Settlement Agreement by and among the Company, the Debt Holders and Spirit Bear, the Debt Holders agreed (i) to forgive debt of $1,161,894 and accrued interest owed to them by the Company (the "Debt"). As provided for in the Debt Settlement Agreement, the Debt Holders have released the Company of (i) any future liability or claim related to the Debt, (ii) any future liability or claim related to shares of any class of equity in the Company, and (iii) any obligation or liability of the Company.

Management believes the Company's funds are insufficient to provide for its short term projected needs for operations. Management believes that the Company will need at least $1,475,750 to fund its operations and meet its obligations for at least the next twelve months. The Company may decide to sell additional equity or increase its borrowings in order to fund increased product development or for other purposes. There can be no assurances that the Company will be able to raise additional financing, or on favorable terms. The Company currently has no arrangements, understanding or agreement for additional funding.

OFF BALANCE SHEET ARRANGEMENTS

We, currently, have no off-sheet balance arrangements

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the applicable period. Actual results may differ from these estimates under different assumptions or conditions.

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.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company (HPEV,Inc.) and its wholly owned subsidiary, HPEV, Inc., a corporation incorporated in Delaware on March 24, 2011.

All significant inter-company transactions and balances have been eliminated.

Year end – The Company's year end is December 31.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes – The Company accounts for its income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

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Management believes the Company will have a net operating loss carryover to be used for future years. Such losses may not be fully deductible due to the significant amounts of non-cash service costs as well as restrictions on carryovers resulting from reverse mergers. The Company has established a valuation allowance for the full tax benefit of the applicable operating loss carryovers.

Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

Net loss per common share – The Company computes net loss per share in accordance with the Earning per Share Topic of the FASB ASC 260. Under the provisions of ASC, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. For the period from March 24, 2011 (Date of Inception) through December 31, 2012, one option (issued October 30, 2011 for 200,000 common shares at a purchase price of $0.55 per share) and 8,395,004 warrants were outstanding. Additionally, we have 200 preferred shares outstanding of which can be converted to 50,000 shares of common stock for total of 10,000,000 shares of common stock if converted.

Stock Based Compensation – Stock based compensation is accounted for using the Equity-Based Payments to Employees Topic of the FASB ASC 718, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for services. It also addresses transactions in which an entity incurs liabilities in exchange for services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company determines the value of stock issued at the date of grant. The Company also determines at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

Stock based compensation for non-employees is accounted for using the Stock Based Compensation Topic of the FASB ASC 505. The Company uses the fair value method for equity instruments granted to non-employees and will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of when performance commitment is established or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

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

Concentration of risk – A significant amount of HPEV's assets and resources were dependent on the financial support of Phoenix Productions and Entertainment Group. The Company has successfully pursued other avenues of financial support.

Revenue recognition –Revenues are recognized in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition in Financial Statements". The Company recognizes revenues when all of the following criteria are met: 1) there is persuasive evidence that an arrangement exists, 2) delivery of goods has occurred, 3) the sales price is fixed or determinable, and 4) collection is reasonably assured.

Advertising costs –The Company recorded no advertising and promotion costs from inception (March 24, 2011) to December 31, 2012.

Research and development – Costs of research and development are expensed in the period in which they are incurred.

Legal Procedures – The Company is not aware of, nor is it involved in any pending legal proceedings.

RECENT ACCOUNTING PRONOUNCEMENTS

We continue to assess the effects of recently issued accounting standards. The impact of all recently adopted and issued accounting standards has been disclosed in the Footnotes to the financial statements.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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DE JOYA GRIFFITH
Certified Public Accountants and Consultants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
HPEV, Inc.

We have audited the accompanying consolidated balance sheets of HPEV,Inc. and Subsidiary (A Development Stage Company) (the "Company") as of December 31, 2012 and 2011 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2012, for the period from inception (March 24, 2011) through December 31, 2011 and for the period from inception (March 24, 2011) through December 31, 2012. HPEV, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 HPEV, Inc. (A Development Stage Company) as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the year ended December 31, 2012, for the period from inception (March 24, 2011) through December 31, 2011 and for the period from inception (March 24, 2011) through December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ De Joya Griffith, LLC
Henderson, Nevada
March 29, 2013, except for Note 3 presented under the heading. "Restatements of Financial Statements," as to which the date is May 17, 2013

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HPEV, INC.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

	As of December 31, 2012 Audited (Restated)	As of December 31, 2011 Audited
ASSETS		
Current assets		
Cash	$194,721	$78,361
Prepaid expense	373,679	911,589
Total current assets	568,400	989,950
Intangible assets	73,582	44,564
Total assets	$641,982	$1,034,514
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdraft	$-	$410
Accounts payable	177,280	103,701
Accounts payable related party	52,305	-
Notes payable – related party	34,110	884,594
Total current liabilities	263,695	988,705
Total liabilities	263,695	988,705
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock: $.001 par value: 15,000,000 shares authorized, 200 and 0 shares issued and outstanding as of Dec. 31, 2012 and Dec. 31, 2011, respectively	-	-
Common stock; $.001 par value; 100,000,000 shares authorized, 42,970,441 and 48,613,125 shares issued and outstanding as of Dec. 31, 2012 and Dec. 31, 2011, respectively.	42,970	48,613
Additional paid-in capital	6,116,420	13,121,411
Common stock held in escrow, 4,676,000 shares issued and held	39,469	-
Common stock receivable	-	(8,000,000)
Accumulated deficit during development stage	(5,820,572)	(5,124,215)
Total stockholders' equity	378,287	45,809
Total liabilities and stockholders' equity	$641,982	$1,034,514

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

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HPEV, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 2012 Audited (Restated)	From Inception (March 24, 2011) through December 31, 2011 Audited	From Inception (March 24, 2011) through December 31, 2012 Audited (Restated)
Revenue	$-	$-	$-
Cost of goods sold	-	-	-
Gross profit	-	-	-
Operating expenses			
Director stock compensation	(2,650,000)	2,650,000	-
Consulting	1,902,392	1,604,580	3,506,972
Professional fees	447,139	538,479	985,618
Research and development	242,717	114,355	357,072
General and administrative	110,063	41,801	151,864
Loss on deposit	-	100,000	100,000
Loss on intangible property	-	75,000	75,000
Total operating expenses	52,311	5,124,215	5,176,526
Other income and expenses			
Interest expense	(277,545)	-	(277,545)
Finance cost	(622,522)	-	(622,522)
Gain on settlement of debt	256,021	-	256,021
Net loss	$(696,357)	$(5,124,215)	$(5,820,572)
Basic loss per common share	$(0.01)	$(0.11)	
Basic weighted average common shares outstanding	47,646,411	45,170,729	

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

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HPEV, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FROM INCEPTION (MARCH 24, 2011) THROUGH DECEMBER 31, 2012

	Preferred Stock		Common Stock		Additional Paid-in	Common Stock Held In	Stock	Accumulated Deficit During Development	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Escrow	Receivable	Stage	Equity
Inception, March 24, 2011	-	$ -	-	$ -	$ -	-	$ -	$ -	$ -
Founder shares April 4, 2011	-	-	22,000,000	22,000	-	-	-	-	22,000
Shares issued for reverse merger April 15, 2011	-	-	23,956,690	23,957	8,178,258	-	(8,000,000)	-	202,215
Shares issued for consulting services April 1, 2011 @ $.70	-	-	1,100,000	1,100	768,900	-	-	-	770,000
Shares issued for consulting services May 11, 2011 @ $.75	-	-	1,823,185	1,823	1,365,566	-	-	-	1,367,389
Shares received through cancellation of shares written-off prior to reverse merger.	-	-	(416,750)	(417)	417	-	-	-	-
Shares issued for direct cash	-	-	150,000	150	49,850	-	-	-	50,000

investment November 8, 2011 @ $.33									
Options granted for legal services	-	-	-	-	108,420	-	-	-	108,420
Shares issued to director by shareholder as compen- sation	-	-	-	-	2,650,000	-	-	-	2,650,000
Net loss	-	-	-	-	-	-	-	(5,124,215)	(5,124,215)
Balance as of December 31, 2011	-	$ -	48,613,125	$48,613	$13,121,411	$ -	$(8,000,000)	$ (5,124,215)	$ 45,809
Shares received from rescinded transaction prior to reverse merger February 13, 2012	-	-	(1,920,000)	(1,920)	(7,998,080)	-	8,000,000	-	-
Shares received through cancellation of shares written-off prior to reverse merger. February 17, 2012	-	-	(83,350)	(83)	83	-	-	-	-
Shares issued for consulting services March 23, 2012 @$1.07	-	-	1,000,000	1000	$1,069,000	-	-	-	1,070,000
Shares returned by director to shareholder April 13, 2012	-	-	-	-	(2,650,000)	-	-	-	(2,650,000)
	-	-	-	-	516,992	-	-	-	516,992

Spirit Bear
loan warrants
finance cost
April 27, 2012

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Spirit Bear loan warrants finance cost May 22, 2012	-	-	-	-	64,560	-	-	-	64,560
Issuance of warrants of common stock June 1, 2012	-	-	-	-	99,229	-	-	-	99,229
Shares issued for direct cash investment June 12, 2012 @ $0.50	-	-	10,000	10	4,990	-	-	-	5,000
Shares issued for manufacturing services June 8, 2012 @$0.75	-	-	26,666	26	19,974	-	-	-	20,000
Spirit Bear loan warrants finance cost June 28, 2012	-	-	-	-	1,621	-	-	-	1,621
Spirit Bear loan warrants finance cost July 11, 2012	-	-	-	-	39,349	-	-	-	39,349
Issuance of warrants of common stock August 6, 2012	-	-	-	-	110,029	-	-	-	110,029
Spirit Bear penalty warrants finance cost September 30, 2012	-	-	-	-	68,234	-	-	-	68,234

Shares issued for direct cash investment December 5, 2012 @ $2,500	200	-	-	-	500,000	-	-	-	500.000
Spirit Bear penalty warrants finance cost December 31, 2012	-	-	-	-	129,179	-	-	-	129,179
Debt settlement – escrow shares	-	-	(4,676,000)	(4,676)	(34,793)	39,469	-	-	-
Debt settlement-forgiveness of debt	-	-	-	-	911,894	-	-	-	911,894
Issuance of warrants of common stock November 9, 2012	-	-	-	-	72,748	-	-	-	72,748
Officer contributed capital	-	-	-	-	70,000	-	-	-	70,000
Net Income	-	-	-	-	-	-	-	(696,357)	(696,357)
Balance as of December 31, 2012 (Restated)	200	$ -	42,970,441	$ 42,970	$ 6,116,420	$ 39,469	$ -	$ (5,820,572)	$ 378,287

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

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HPEV, INC.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2012 Audited (Restated)	From Inception (March 24, 2011) through December 31, 2011 Audited	From Inception (March 24, 2011) through December 31, 2012 Audited (Restated)
Cash flows from operating activities:			
Net loss	$ (696,357)	$ (5,124,215)	$ (5,820,572)
Adjustments to reconcile net loss to			
net cash used by operating activities:			
Stock issued to founder	-	22,000	22,000
Stock issued for consulting services	1,627,910	1,600,802	3,228,712
Gain on settlement of debt	(256,021)	-	(256,021)
Warrants issued for loan penalty	197,413	-	197,413
Warrants issued for interest	282,006	108,420	390,426
Stock compensation	-	-	-
Amortization of financing cost	622,522	-	622,522
Director stock compensation from shareholder	(2,650,000)	2,650,000	-
Impairment of intangible asset and deposit	-	175,000	175,000
Changes in operating assets and liabilities:			
Increase in accrued interest	6,021	-	6,021
Increase in accounts payable related party	52,305	-	52,305
Increase in accounts payable	143,579	92,064	235,643
Net cash used by operating activities	(743,370)	(475,929)	(1,146,551)
Cash flows from investing activities:			
Increase of intangible assets	(29,018)	(44,564)	(73,582)
Cash acquired in reverse merger	-	37	37
Net cash used by investing activities	(29,018)	(44,527)	(73,545)
Cash flows from financing activities:			
Proceeds from sale of common stock	5,000	50,000	55,000
Proceeds from sale of preferred stock	500,000	-	500,000
Proceeds from notes payable	439,722	-	439,722
Payment on notes payable	(189,722)	-	(189,722)
Proceeds from notes payable – related party	62,200	548,407	610,607
Payments on notes payable – related party	(1,200)	-	(1,200)
Bank overdraft	-	410	410
Net cash provided by financing activities	816,000	598,817	1,414,817

Net increase in cash and cash equivalents	116,360	78,361	194,721
Cash, beginning of period	78,361	-	-
Cash, end of period	$ 194,721	$ 78,361	$ 194,721
Supplemental information:			
Interest paid with cash	$1,327	$-	$1,327
Supplemental Schedule of non-cash Activities:			
Accrued interest forgiven	$6,021	$-	$6,021
Related party accrued salary forgiven	$70,000	$-	$70,000
Related party notes payable forgiven	$911,894	$-	$911,894
Shares issued for services	$446,427	$911,589	$1,358,016
Common stock receivable	$(8,000,000)	$8,000,000	$-
Assumed as part of reverse merger			
Intangible assets	$-	$175,000	$175,000
Deposit	$-	$100,000	$100,000
Prepaid asset	$-	$375,002	$375,002
Accounts payable	$-	$(11,637)	$(11,637)
Notes payable related party	$-	$(336,187)	$(336,187)
Stock issued for prepaid services	$1,090,000	$-	$1,090,000

The accompanying notes are an integral part of these financial statements

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HPEV, Inc.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012
RESTATED

1. DESCRIPTION OF BUSINESS AND HISTORY

Description of business and history – HPEV, Inc., a Nevada corporation (formerly known as Bibb Corporation and Z3 Enterprises) (hereinafter referred to as “HPEV” or “The Company”), was incorporated in the State of Nevada on July 22, 2002. The Company’s principal operations were to produce fully integrated multi-media products targeting the marginally literate. The Company changed its focus to educational entertainment and reality show programming; feature films and special event marketing upon entering into a Joint Venture Agreement (the ”Joint Venture Agreement”) with Phoenix Productions and Entertainment Group (PPEG) in September 2010.

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

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

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

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

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

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

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

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

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

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

On May 5, 2011, a total of 7 patents (1 granted, 6 pending) were assigned to HPEV by Thermal Motors Innovations, LLC, a company controlled by the developers of the patents. Since then, additional patents have been awarded and filed. Therefore, as of March 29, 2013, our subsidiary, HPEV, owns the rights to five patents, and twelve patent-applications pending with two remaining to be assigned.

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

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

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

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

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

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

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

Going concern – The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. Since the reverse merger of HPEV, Inc. and Z3 Enterprises, Inc. on April 15, 2011, cash outlays have been $1,146,551 from operating activities and $73,582 from investing activities which have been financed primarily through loans and stock sales. The net book loss is approximately $5,820,572 during the period from March 24, 2011 (Date of Inception) through December 31, 2012. The Company has not fully commenced its operations and is still in the development stages, raising substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing from shareholders or other sources to meet its obligations and repay its liabilities arising from normal business operations when they come due. At this time, the Company is seeking additional sources of capital through the issuance of debt, equity, or joint venture agreements, but there can be no assurance the Company will be successful in accomplishing its objectives.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

It is possible management may decide that the Company cannot continue with its business operations as outlined in the current business plan because of a lack of financial resources and may be forced to seek other potential business opportunities that may be available.

2. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of HPEV, Inc. is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the consolidated financial statements.

Accounting Method

The Company's consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

These consolidated financial statements include the accounts of the subsidiary HPEV (A Delaware Corporation) and its parent HPEV (formerly known as Z3 Enterprises) (A Nevada Corporation). On April 20, 2012, the Company officially changed its name to HPEV, Inc.

All significant inter-company transactions and balances have been eliminated.

Year End

The Company's year end is December 31.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

Revenue Recognition

The Company recognizes revenue on arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" and No. 104, "Revenue Recognition". In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability is reasonably assured. For the years ended December 31, 2012 and 2011, and for the period from inception (March 24, 2011) to December 31, 2012, the Company did not report any revenues.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under Financial Accounting Standards Board (FASB) guidance regarding disclosures about fair value of financial instruments, approximate the carrying amounts presented in the accompanying consolidated balance sheets.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157 Fair Value Measurements ("SFAS 157"), superseded by ASC 820-10, which defines fair value, establishes a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. The impact of adopting ASC 820-10 was not significant to the Company's consolidated financial statements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The valuation of our fair value instruments is determined using Level 1 inputs, which consider (i) time value, (ii) current market and (iii) contractual prices.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2012 and 2011. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued expenses, loan payable and notes payable – related party.

Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Intangible Assets

ASC 350 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of ASC 350. This standard also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. As of December 31, 2012 and 2011, the Company believes there is no impairment of its intangible assets.

The Company's intangible assets consist of the costs of filing and acquiring various patents. The patents are recorded at cost. The Company determined that the patents have an estimated useful life of 10 years and will be reviewed annually for impairment. Amortization will be recorded over the estimated useful life of the assets using the straight-line method for financial statement purposes. The Company plans to commence amortization upon commencing operations.

Income Taxes

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

Upon inception, the Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”), superseded by ASC 740-10. The Company did not recognize a liability as a result of the implementation of ASC 740-10. A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there is no unrecognized benefit as of the date of adoption. The Company did not recognize interest expense or penalties as a result of the implementation of ASC 740-10. If there were an unrecognized tax benefit, the Company would recognize interest related to unrecognized tax benefits in interest expense and penalties in other operating expenses.

Management believes the Company will have a net operating loss carryover to be used for future years. Such losses may not be fully deductible due to the significant amounts of non-cash service costs as well as restrictions on carryovers resulting from reverse mergers. The Company has established a valuation allowance for the full tax benefit of the applicable operating loss carryovers.

Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

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Net Loss Per Common Share

The Company computes net loss per share in accordance with the Earning per Share Topic of the FASB ASC 260. Under the provisions of ASC 260, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. For the period from March 24, 2011 (Date of Inception) through December 31, 2012, one option (issued October 30, 2011 for 200,000 common shares at a purchase price of $0.55 per share) and 8,091,435 warrants were outstanding. Additionally, we have 200 preferred shares outstanding of which can be converted to 50,000 shares of common stock for total of 10,000,000 common shares if converted.

Employee Stock Based Compensation

The FASB issued SFAS No.123 (revised 2004), Share-Based Payment, which was superseded by ASC 718-10. ASC 718-10 provides investors and other users of financial statements with more complete and neutral financial information, by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. ASC 718-10 covers a wide range of share-based compensation arrangements, including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As of December 31, 2012, the Company has not implemented an employee stock based compensation plan.

Non-Employee Stock Based Compensation

The Company accounts for stock based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services, which was superseded by ASC 505-50. The Company issues compensatory shares for services including, but not limited to, executive, management, accounting, operations, corporate communication, financial and administrative consulting services.

Concentration of Risk

A significant amount of HPEV's assets and resources have been dependent on the financial support of Phoenix Productions and Entertainment Group. The Company has successfully negotiated outside investment and continues to seek additional funding.

Advertising Costs

The Company recorded no advertising and promotion costs from inception (March 24, 2011) to December 31, 2012.

Research and Development

Costs of research and development are expensed in the period in which they are incurred.

Legal Procedures

The Company is not aware of, nor is it involved in any pending legal proceedings.

Recent accounting standards

The Company has evaluated the recent accounting pronouncements through ASU 2013-05 and believes that none of them will have a material effect on the Company's financial statements.

3 RESTATEMENT OF FINANCIAL STATEMENT

We have restated our previously issued consolidated financial statements covering our fiscal year 2012 which ended on December 31, 2012. The restatement corrects errors and reclassifications in the accounting for the following:

> A warrant to purchase an aggregate of 303,569 shares of common stock was issued to a service provider of the Company in the fourth quarter of 2012 was omitted from the consolidated financial statements for the fiscal year ended December 31, 2012. At the time of the submission of the Form 10-K, the performance required for these warrants was in dispute. Nonetheless, an additional $72,748 in interest expense and additional paid-in capital should have included in the financial statements.

The following tables summarize the effect of the restatement on the specific items presented in our historical consolidated financial statements included in our Annual Report on Form 10-K for the twelve months ended December 31, 2012.

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CONSOLIDATED BALANCE SHEETS

	As of December 31, 2012 As filed	Adjustments	As of December 31, 2012 As restated
ASSETS			
Current assets			
Cash	$194,721		$194,721
Prepaid expense	373,679		373,679
Total current assets	568,400		568,400
Intangible assets	73,582		73,582
Total assets	$641,982		$641,982
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Bank overdraft	$-		$-
Accounts payable	177,280		177,280
Accounts payable related party	52,305		52,305
Notes payable – related party	34,110		34,110
Total current liabilities	263,695		263,695
Total liabilities	263,695		263,695
Stockholders' equity			
Preferred stock: $.001 par value: 15,000,000 shares authorized, 200 and 0 shares issued and outstanding as of Dec. 31, 2012 and Dec. 31, 2011, respectively			
Common stock; $.001 par value; 100,000,000 shares authorized, 42,970,441 and 48,613,125 shares issued and outstanding as of Dec. 31, 2012 and Dec. 31, 2011, respectively.	42,970		42,970
Additional paid-in capital	6,043,672	72,748	6,116,420
Common stock held in escrow, 4,676,000 shares issued and held	39,469		39,469
Common stock receivable	-		-
Accumulated deficit during development stage	(5,747,824)	(72,748)	(5,820,572)
Total stockholders' equity	378,287		378,287
Total liabilities and stockholders' equity	$641,982		$641,982

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CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 2012 As filed	Adjustments	For the year ended December 31, 2012 As restated	From Inception (March 24, 2011) Through December 31, 2012 As restated
Revenue	$-		$-	$-
Cost of goods sold	-		-	-
Gross profit	-		-	-
Operating expenses				
Director stock compensation	(2,650,000)		(2,650,000)	-
Consulting	1,902,392		1,902,392	3,506,972
Professional fees	447,139		447,139	985,618
Research and development	242,717		242,717	357,072
General and administrative	110,063		110,063	151,864
Loss on deposit				100,000
Loss on intangible property				75,000
Total operating expenses	52,311		52,311	5,176,526
Other income and expenses				
Interest expense	(204,797)	(72,748)	(277,545)	(277,545)
Finance cost	(622,522)		(622,522)	(622,522)
Gain on settlement of debt	256,021		256,021	256,021
Net loss	$(623,609)	$ (72,748)	$(696,357)	$(5,820,572)
Basic loss per common share	$(0.01)		$(0.01)	
Basic weighted average common shares outstanding	47,646,411		47,646,411	

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2012 As filed	Adjustments	For the Year Ended December 31, 2012 As restated	From Inception (March 24, 2011) through December 31, 2012 As restated
Cash flows from operating activities:				
Net loss	$(623,609)	$ (72,748)	$(696,357)	$(5,820,572)
Adjustments to reconcile net loss to				
net cash used by operating activities:				
Stock issued to founder				22,000
Stock issued for consulting services	1,627,910		1,627,910	3,228,712
Gain on settlement of debt	(256,021)		(256,021)	(256,021)
Warrants issued for loan penalty	197,413		197,413	197,413
Warrants issued for interest	209,258	72,748	282,006	390,426
Stock compensation	-		-	-
Amortization of financing cost	622,522		622,522	622,522
Director stock compensation from shareholder	(2,650,000)		(2,650,000)	-
Impairment of intangible asset and deposit	-		-	
Changes in operating assets and liabilities:				
Increase in accrued interest	6,021		6,021	6,021
Increase in accounts payable related party	52,305		52,305	52,305
Increase in accounts payable	143,579		143,579	235,643
Net cash used by operating activities	(670,622)		(743,370)	(1,146,551)
Cash flows from investing activities:				
Increase of intangible assets	(29,018)		(29,018)	(73,582)
Cash acquired in reverse merger				37
Net cash used by investing activities	(29,018)		(29,018)	(73,545)
Cash flows from financing activities:				
Proceeds from sale of common stock	5,000		5,000	55,000
Proceeds from sale of preferred stock	500,000		500,000	500,000
Proceeds from notes payable	439,722		439,722	439,722
Payment on notes payable	(189,722)		(189,722)	(189,722)
Proceeds from notes payable – related party	62,200		62,200	610,607
Payments on notes payable – related party	(1,200)		(1,200)	(1,200)
Bank overdraft	-			410
Net cash provided by financing activities	816,000			1,414,817
Net increase in cash and cash equivalents	116,360		116,360	194,721
Cash, beginning of period	78,361		78,361	-

Cash, end of period	$194,721	$194,721	$194,721

4. NOTES PAYABLE

On September 7, 2010, the Company entered into a loan agreement with Phoenix Productions and Entertainment Group ("PPEG") for an interest-free loan up to $1,000,000 (the "PPEG Loan Agreement"). Up to December 11, 2012, the Company borrowed an aggregate of $911,894 under the PPEG Loan Agreement which was used for the Company's operations, potential acquisitions, acquisition of intellectual property rights and HPEV, Inc.

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

In April, May, June and July of 2012, Spirit Bear Limited made cash advances for and funded loans to the Company in the total amount of $186,222, creating direct financial obligations of the Company.

On August 8, 2012, the Company and Spirit Bear reached a definitive agreement concerning the terms of the loans, including the Company's obligations to repay Spirit Bear within 180 days from each date of funding, and the Company's obligation to issue warrants to Spirit Bear to purchase 3.5714 shares of common stock per dollar of consideration provided by Spirit Bear, subject to certain adjustments, at the per share price of $.35, as partial consideration for the loans. The warrants granted to Spirit Bear totaled 665,374 shares. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.33%; dividend yield of 0% and expected volatility of 250%. These options were valued at $622,523 and the aggregate value was capitalized as financing cost and has been accreted and charged to financing cost expense in the amount of $622,523 as of December 31, 2012.

In the event payment is not made within 90 days of the receipt of each loan, the Company was required to provide penalty warrants. On December 14, 2012, the penalty warrants for all four loans owed to Spirit Bear totaled 819, 223. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 245%. These options were charged to interest expense in the amount of $197,413 as of December 31, 2012.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear 200 shares of the Company's Series A Convertible Preferred Stock (the "Preferred Stock") and 3 sets of warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock at the respective exercise prices of $0.35, $0.50 and $0.75 per share (See Note 7). The aggregate purchase price for sale of the Preferred Stock and warrants was $500,000, of which $313,777 was paid in cash and $186,222 was paid by cancellation of $186,222 in outstanding indebtedness held by Spirit Bear.

On December 11, 2012, the Company concluded negotiations on a debt settlement agreement by and among the Company, PPEG, Action Media (PPEG and Action Media collectively, the "Debt Holders") and Spirit Bear. To help induce Spirit Bear to invest in the Company, the Debt Holders agreed to forgive debt of $1,161,894 and accrued interest owed to them by the Company (the "Debt") and release the Company of (i) any future liability or claim related to the Debt, (ii) any future liability or claim related to shares of any class of equity in the Company, and (iii) any obligation or liability of the Company.

Pursuant to the Debt Settlement Agreement, $911,894 outstanding under the PPEG Loan Agreement was forgiven. Action Media agreed to forgive all outstanding debt and accrued interest under the loan. The Debt Holders also agreed to deposit 4,676,000 shares of common stock in escrow. Upon the filing of a registration statement with the SEC, 3,676,000 shares were to be cancelled and returned to treasury (See Note 13). The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at $0.40 per share at the rate of $10,000 per month commencing within 90 days after HPEV achieves $1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the $400,000 on a pro rata basis based on each company's respective amount of debt forgiven. (See Note 5)

5. COMMITMENTS AND CONTINGENCIES

As part of the debt settlement agreement on December 11, 2012 with PPEG and AM, the debt holders were to return to escrow a total of 4,676,000 of which, 3,676,000 will be cancelled upon the filing of a registration statement with the SEC. The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at $0.40 per share at the rate of $10,000 per month commencing within 90 days after HPEV achieves $1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide $400,000 on a pro rata basis based on each company's respective amount of debt forgiven. The historical cost of the shares held in escrow are reflected in equity as shares held in escrow.

6. STOCKHOLDER'S EQUITY

Preferred Stock

The Company has 15,000,000 preferred shares authorized and 200, issued and outstanding as of December 31, 2012.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear 200 shares of the Company's Series A Convertible Preferred Stock. Each share of the Preferred Stock is convertible into 50,000 shares of Company's common stock at a conversion price of $2,500 per share.

Pursuant to the Securities Purchase Agreement (the "SPA") with Spirit Bear Limited ("Spirit Bear"), the agreement stipulated several covenants which were to occur prior to closing. The Company's Board of Directors, irrespective of the number of members, for three years after closing has to be composed of an even number of members of which at least 50% shall be designated by Spirit Bear. Additionally, the Bylaws were to be amended as agreed upon in the SPA. As of December 31, 2012 these items stated above had not yet been delivered in part because Spirit Bear had designated two of their three allotted nominees as of such date. On February 6, 2013, the Company received a letter from Spirit Bear which stated that the Company was in default of the Stock Purchase Agreement (See Subsequent Events - Note 13 for further information).

Common Stock

The Company has 100,000,000 common shares authorized and 47,646,441 issued and outstanding as of December 31, 2012 of which 4,676,000 are held in escrow.

On April 1, 2011, 1,100,000 Z3E common shares valued at $0.70 per share as of the date of the agreement were issued to Brian Duffy in exchange for his consulting services.

On March 29, 2011, Z3 Enterprises entered into a Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV Inc. (“HPEV”) in consideration for the issuance of 22,000,000 shares of Z3E common stock. For accounting purposes, the acquisition of HPEV, Inc. by Z3 Enterprises, Inc. has been recorded as a reverse acquisition of a public company and recapitalization of Z3 Enterprises, Inc. based on factors demonstrating that HPEV represents the accounting acquirer.

On April 4, 2011, 21,880,000 shares out of the 22,000,000 shares of Z3E common stock were issued to Timothy Hassett, Quentin Ponder, Mark Hodowanec and Darren Zellers. The remaining 120,000 shares were issued on December 14, 2011 to Quentin Ponder and Darren Zellers.

Prior to the reverse merger, Z3E had 23,956,690 common shares outstanding. Due to the recapitalization of Z3E with HPEV, the shares were deemed issued as of April 15, 2011 as part of the reverse merger and recapitalization. The value of the shares was based on the net asset value of Z3E as of April 15, 2011, the date the merger was deemed closed.

On May 11, 2011, 1,823,185 common shares valued at $0.75 per share as of the date of the agreement were issued to Capital Group Communication, Inc. in exchange for investor relations services covering a period of twenty four-months valued at $1,367,389.

On September 17, 2010, prior to the reverse merger with HPEV, Inc., the Company entered into an acquisition agreement with Usee. As part of the agreement 10,500,000 shares were issued to the share holders of Usee. Upon further due diligence investigation the Company cancelled the agreement and all the shares were required to be returned. Before the reverse merger, 8,369,310 shares belonging to Usee, Inc, were returned to the transfer agent, cancelled and assigned a value of zero. The remaining shares were written off by Z3 prior to its merger with HPEV, Inc. On October 21, 2011, 416,750 shares belonging to IFMT, Inc. were returned to the transfer agent, cancelled and assigned a value of zero. The shares were originally issued as part of the Usee transaction which was subsequently terminated.

On November 1, 2011, the Board of Directors authorized the issuance of 150,000 shares of restricted common stock to an accredited investor in exchange for $50,000 in financing.

On October 31, 2011 stock options to purchase 200,000 shares at $0.55 were issued to The Crone Law Group, these options were issued in order to satisfy a penalty services rendered and payments defrayed. These options were valued at $108,420 using a Black-Sholes valuation model. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 3 years; risk free interest rate of 0.41%; dividend yield of 0% and expected volatility of 289%.

On October 21, 2011 Judson Bibb, Director received 5,000,000 shares from Phoenix Productions and Entertainment Group, Inc., a shareholder of the Company's Common stock. This stock transfer was deemed to serve as compensation for services performed for the company in previous periods. The shares were valued based on the market closing price of the Company's common stock as of October 21, 2011, date shares were transferred, resulting in a value of $2,650,000.

On February 11, 2012, the Board of Directors authorized the issuance of 1,000,000 shares of restricted common stock to Lagoon Labs, LLC in exchange for consultations with management as well as providing investor communications and public relations, with an emphasis on digital and social media, for 12 months. The shares were issued on March 23, 2012 and valued at $1,070,000.

On February 17, 2012 an additional 83,350 shares belonging to IFMT, Inc. were returned to the transfer agent and cancelled. The shares were originally issued as part of the Usee transaction which was subsequently terminated. Prior to the reverse merger with HPEV, Inc. the Company entered into an acquisition agreement with Usee, Inc. and Usee CA, Inc. Upon further due diligence investigation the Company cancelled the agreement and all the shares were required to be returned. No value was assigned to the cancelled shares.

On April 5, 2012, a Certificate of Amendment to the Articles of Incorporation was filed with the Nevada Secretary of State noting the increase in authorized common stock to 100,000,000 shares.

On April 13, 2012, Judson Bibb returned the 5,000,000 shares he had received from Phoenix Productions and Entertainment Group (PPEG) back to PPEG resulting in a reversal of the expense in the quarter ending March 31, 2012, as such the Company recognized a gain due to the return of shares of $2,650,000.

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

A number of warrants were also included in the Securities Purchase Agreement. (See below under Warrants and Options)

On December 11, 2012,pursuant to the Debt Settlement Agreement, $911,894 outstanding under the PPEG Loan Agreement was forgiven. The debt forgiveness was accounted for as contributed capital as PPEG was a significant shareholder. In additions, the Debt Holders also agreed to deposit 4,676,000 shares of common stock in escrow. Upon the filing of a registration statement with the SEC, 3,676,000 shares were to be cancelled and returned to treasury (See Note 13). The remaining 1,000,000 shares will be purchased by the Company or a nominee of the Company at $0.40 per share at the rate of $10,000 per month commencing within 90 days after HPEV achieves $1,000,000 in gross revenues for products or services from business operations. PPEG and Action Media will divide the $400,000 on a pro rata basis based on each company's respective amount of debt forgiven. As of December 31, 2012 the 4,676,000 were removed from outstanding and classified as held in escrow in the amount of $39,469 based on the historical value of shares.

On December 17, 2012, pursuant to the Spirit Bear investment, two officers of the Company agreed to forgo accrued salaries totaling $70,000. The debt forgiveness was accounted for as additional paid in capital.

7. WARRANTS AND OPTIONS

On October 31, 2011, stock options to purchase 200,000 shares at $0.55 were issued to The Crone Law Group, these options were issued in order to satisfy penalty services rendered and payments defrayed. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 3 years; risk free interest rate of 0.41%; dividend yield of 0% and expected volatility of 289%. These options were valued at $108,420 and charged to professional fees.

Warrants

On June 4, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of $0.275. The vesting period on these grants was immediate. The value of these warrants were estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 225%. To account for such grants to non-employees, we recorded the issuance as interest expense in the amount of $99,229.

On August 6, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of $0.39. The vesting period on these grants was immediate. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 218%. To account for such grants to non-employees, we recorded the issuance as interest expense in the amount of $110,029.

On November 9, 2012, the Company issued a warrant for 303,569 shares of common stock to McMahon Serepca, LLP with an exercise price of $0.18. The vesting period on these grants was immediate. The value of these warrants was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 280%. To account for such grants to non-employees, we recorded the issuance as interest expense in the amount of $72,748.

In April, May, June and July of 2012, Spirit Bear Limited made cash advances for and funded loans to the Company in the total amount of $186,222, creating direct financial obligations of the Company. On August 8, 2012, The Company and Spirit Bear reached a definitive agreement concerning the terms of the loans, including the Company's obligations to repay Spirit Bear within 180 days from each date of funding, and the Company's obligation to issue warrants to Spirit Bear to purchase 3.5714 shares of common stock per dollar of consideration provided by Spirit Bear, subject to certain adjustments, at the per share price of $.35, as partial consideration for the loans. The warrants granted to Spirit Bear totaled 665,374 shares. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.33%; dividend yield of 0% and expected volatility of 250%. These options were valued at $622,522 and the aggregate value was capitalized as financing cost and has been amortized and charged to financing cost expense in the amount of $622,522 as of December 31, 2012.

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

On December 14, 2012, the penalty warrants for all four loans owed to Spirit Bear totaled 819, 223. The value of these options was estimated by using the Black-Scholes option pricing model with the following assumptions: expected life of 2 years; risk free interest rate of 0.62%; dividend yield of 0% and expected volatility of 245%. These options were charged to interest expense in the amount of $197,413 as of December 31, 2012.

On December 14, 2012, the Company entered into a Securities Purchase Agreement with Spirit Bear pursuant to which it sold to Spirit Bear (i) 200 shares of the Company's Series A Convertible Preferred Stock (the "Preferred Stock") and (ii) warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock at an exercise price of $0.35 per share (subject to adjustment as provided in the warrant); 2,000,000 shares of the Company's common stock at an exercise price of $0.50 per share (subject to adjustment as provided in the warrant); and 2,000,000 shares of the Company's common stock at an exercise of $0.75 per share (subject to adjustment as provided in the warrant). The aggregate purchase price for sale of the Preferred Stock and warrants was $500,000, of which $313,777 was paid in cash and $186,222 was paid by cancellation of $186,222 in outstanding indebtedness held by Spirit Bear. The warrants may be exercised on a cashless basis.

The following is a summary of the status of all of the Company's stock warrants as of December 31, 2012 and changes during the fiscal year ended on that date:

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2011	-	$ -	-
Granted	8,395,004	$ 0.29	3.71
Exercised	-	$ 0.00	-
Cancelled	-	$ 0.00	-
Outstanding at December 31, 2012	8,395,004	$ 0.29	3.71
Exercisable at December 31, 2012	8,395,004	$ 0.29	3.71

8. RELATED PARTY TRANSACTIONS

As a consequence of the reverse merger, HPEV took over the obligations of Z3E consisting of accounts payable of $11,637 (non-related party) and a note payable balance of $313,687 due to Phoenix Productions and Entertainment Group, Inc., a significant shareholder of the Company's common stock. The terms of the loan agreement do not require payment of interest and repayment of the loan is to begin 15 days after receipt of initial revenues related to projects funded by PPEG loans. Maturity of the loan is perpetual or upon mutual agreement of both parties or if conditions are breached or default.

Subsequent to the reverse merger, Phoenix Productions and Entertainment Group, Inc. made loans to the Company of $598,207 leaving a balance due as of December 11, 2012 of $911,894. On that date, the Company signed a debt settlement agreement and the loan was forgiven. (See Note 3).

During the period from inception (March 24, 2011) to December 31, 2012, Judson Bibb, Director, advanced $22,910 in interest free, unsecured, due on demand funds. As of December 31, 2012, $22,910 remains due and payable.

During the quarter ended December 31, 2012. Quentin Ponder, Director and Chief Financial Officer, loaned the Company a total of $1,630 in interest-free, unsecured, due-on-demand loans. As of December 31, 2012, $4,470 remains due and payable.

9. INCOME TAXES

We did not provide any current or deferred U.S. federal income tax provision or benefit for the period presented because we have experienced operating losses since inception. Per authoritative guidance pursuant to accounting for income tax and uncertainty in income taxes, when it is more likely than not that a tax asset cannot be realized through future income, the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that as a development stage company, it is prudent to assume that we will not earn income sufficient to realize the deferred tax assets during the carry forward period. As of December 31, 2012 and 2011, the Company had $1,381,499 and $764,993, respectively in net loss carry forwards.

The components of the Company's deferred tax asset as of December 31, 2012 and 2011 is as follows:

	Since Inception to December 31, 2012	Since Inception to December 31, 2011
Net operating loss carry forward	$ 483,525	$ 267,748
Valuation allowance	(483,525)	(267,748)
Net deferred tax asset	$ --	$ --

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

	As of December 31, 2012	As of December 31, 2011
Tax at statutory rate (35%)	$ 215,777	$ 267,748
Increase in valuation allowance	(215,777)	(267,748)
Net deferred tax asset	$ --	$ --

The Company had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. The Company has not accrued any additional interest or penalties. No tax benefit has been

reported in connection with the net operating loss carry forwards in the consolidated financial statements as the Company believes that as a development stage company it is prudent to assume that it is likely that the net operating loss carry forwards will expire unused. Accordingly, the potential tax benefits of the net operating loss carry forwards are offset by a valuation allowance of the same amount. Net operating loss carryforwards start to expire in 2031.

The Company files income tax returns in the United States federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal, state or non-U.S. income tax examination by tax authorities on tax returns filed before January 31, 2006. The Company will file its U.S. federal return for the year ended December 31, 2012 upon the issuance of this filing. These U.S. federal returns are considered open tax years as of the date of these financial statements. No tax returns are currently under examination by any tax authorities.

10. INTELLECTUAL PROPERTY

As of March 28, 2013, HPEV Inc.'s wholly owned subsidiary was assigned the rights to five patents and eight patents-pending with two remaining to be assigned. The issued patents and the majority of the patents-pending relate to the utilization of heat pipes to remove heat from various types of electric motors, generators and a brake resistor. By removing heat in a more efficient manner, the heat pipes provide lower costs, improved performance benefits and longer product life. Another patent-pending is an electric load assist that makes it possible for plug-in hybrid electric vehicles to utilize power in any combination from the gas or diesel engine and an electric motor installed on-board.

The direct cost (since inception) for legal services related to the patents was $73,582. This amount was capitalized as an asset.

11. PREPAID EXPENSE

On May 11, 2011, 1,823,185 common shares valued at $0.75 per share were issued to Capital Group Communication, Inc. in exchange for investor relations services valued at $1,367,389. The services are for a 24 month term. As of December 31, 2012, the prepaid balance is $245,045.

On March 23, 2012, 1,000,000 shares of restricted common stock valued at $1.07 per share were issued to Lagoon Labs, LLC in exchange for consultations with management as well as providing investor communications and public relations, with an emphasis on digital and social media. The services are for a 12 month term. As of December 31, 2012, the prepaid balance is $128,634

12. COMMON STOCK RECEIVABLE

On September 2, 2011, Z3E and Richard Glisky signed a Rescission Agreement (Agreement) to rescind an Agreement for the Acquisition of Harvest Hartwell CCP, LLC (HHCCP), a Michigan limited liability company. The Agreement for Acquisition was originally signed on September 30, 2010.

As called for in the Rescission Agreement, the Company assigned 100% of its interests in HHCCP to the previous owner, Richard Glisky. Richard Glisky, in turn, assigned 1,920,000 shares of Company common stock back to the Company which the Company's intended to have cancelled. On February 23, 2012, 1,920,000 shares of the Company common stock were returned to the Company and cancelled. Consequently, the Company had an $8,000,000 stock receivable removed from its books

13. SUBSEQUENT EVENTS

Pursuant to the Debt Settlement Agreement signed with Phoenix Productions and Entertainment Group, Action Media Group and Spirit Bear Limited signed on December 11, 2012, 3,676,000 shares of common stock that were being held in escrow were cancelled on January 14, 2012. That left 1,000,000 shares remaining in escrow and a total of 43,970.411 shares of common stock outstanding.

Pursuant to a debt settlement with the Crone Law Group, on February 13, 2013, the Board of Directors approved the issuance of 25,000 shares of restricted common stock to Mark Crone, the owner of the law group, to satisfy an outstanding balance of $30,975.

Pusuant to a non-statutory stock option (the "Option") to purchase 200,000 shares of the Company's Common Stock at a purchase price of $0.55 per share granted by the board on October 30, 2011 to the Crone Law Group for services rendered and payments defrayed, Mark Crone elected to convert the options by cashless exercise. Therefore, on February 13, 2013, the Board of Directors also approved the issuance of 90,000 shares of common stock to the Crone Law Group.

On February 6, 2013, the Company received a letter from Spirit Bear which stated that the Company was in default of the Stock Purchase Agreement. According to Spirit Bear, the Company had not acted promptly to make 50% of the board of directors Spirit Bear designees. In addition, Spirit Bear stated that the company had not amended its bylaws with respect to Special Meetings and Meeting Adjournments nor had it provided a certified copy of its Articles of Incorporation within 10 days of the closing of the Stock Purchase Agreement. Pursuant to the Securities Purchase Agreement with Spirit Bear Limited, ("Spirit Bear"), the bylaws relating to Special Meetings and Meeting Adjournments were amended verbatim with what was required in the agreement effective February 20, 2013. Jay Palmer and Carrie Dwyer were appointed to the board of directors on the same date and Donica Holt was appointed to the board of directors on March 7, 2013. Despite electing two new board members at the first board meeting subsequent to the date the SPA was closed, the Company received another letter from counsel to Spirit Bear on March 7, 2013 indicating that the Company was still in default of its obligations under the SPA and the compensation authorized by the Board on February 20, 2013 (as disclosed in the Current Report on Form 8-K filed February 26, 2013) was self-dealing and resulted in the anti-dilution provision provided for in the SPA.

Subsequently, the Company rescinded the change in the president's milestone prices of his options and the cashless exercise thereof, the granting of options to its vice-president and the compensation levels established by the Board on February 20, 2013 (See below).

On February 20, 2013, the Board of Directors voted to decrease the milestone prices of the five options to purchase one million shares that would be granted to the President, Mr. Banzhaf, assuming the respective milestone prices are achieved. The milestone stock prices were reduced to $2.00, $3.00, $4.00, $4.50 and $5.00 for 20 consecutive trading days each. These milestone stock prices have been changed from $2.00, $3.00, $5.00, $7.50 and $10.00. Once the stock has traded at or above these prices for 20 consecutive trading days, Mr. Banzhaf has the right to exercise an option to purchase 1,000,000 shares of common stock at the closing price on the first day after the stock has traded for 20 consecutive days at or above each milestone stock price. These options expire one year after Mr. Banzhaf has been terminated without cause.

The board also granted Judson Bibb an option to purchase 2,000,000 shares of the Company's common stock, at a purchase price of par value or $0.001 per share. The options expire one year after Mr. Bibb has been terminated without cause. The options can be exercised on a cashless basis.

On March 21, 2013, the Company and Judson Bibb signed an agreement rescinding the options granted.

On March 24, 2013, the Company and Ted Banzhaf signed an agreement rescinding the decrease in the milestone price of the five options to purchase one million shares as well as the cashless exercise thereof awarded to the President.

Over the past three months, Quentin Ponder has loaned the Company another $4,100. Therefore, as of March 28, 2013, a total of $15,300 in interest-free, unsecured, loans remains due and payable to Mr. Ponder.

On April 12, 2013, the Company and Spirit Bear Limited reached agreement regarding the settlement of allegations that the Company did not perform certain obligations pursuant to the Securities Purchase Agreement dated December 14, 2012 with Spirit Bear, and with respect to certain actions taken by the Company with respect to providing compensation to its management. Spirit Claim claimed, among others, that such actions triggered the anti-dilution protection provided to Spirit Bear in the Securities Purchase Agreement. Spirit Bear agreed to discharge the Company from all claims Spirit Bear may have had as well as to forgo all actions of any kind related to those claims which existed on or prior to April 12, 2013. Both parties also agreed that the signing of the agreement did not constitute an admission of wrongdoing or liability.

To satisfy the allegations, the Company and Spirit Bear agreed to amend the Certificate of Designation to provide that each share of Series A Convertible Preferred Stock can be converted into 50,000 shares of common stock and have the voting rights equal to 50,000 shares. Previously, each share of preferred stock was convertible into 20,000 shares of common stock and had the voting rights equal to 20,000 shares.

The Company and Spirit Bear also agreed to change the terms of the option provided to Spirit Bear in the Securities Purchase Agreement. The new language provides that the Company can sell up to 200 additional preferred shares and warrants to Spirit Bear, or other qualified investors designated by Spirit Bear, if before December 14, 2013, the Company's technology incorporated in (i) three motors or alternators or (ii) two motors and one auxiliary mobile power system are comprehensively tested in accordance with applicable standards and the results of those tests meet or exceed minimum requirements for certification under those standards. If the milestones are not met prior to such date, Spirit Bear retains its right to purchase 200 additional preferred shares and warrants until December 14, 2014.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Description of Exhibit
10.37	Code of Ethics and Business Conduct
31.1*	Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith

SIGNATURES

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

HPEV, INC.

Date: May 21, 2013	By:	/s/ Timothy Hassett Timothy Hassett Chairman and Chief Executive Officer, (Principal Executive Officer)

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

Signature	Capacity	Date
By: /s/ Timothy Hassett Timothy Hassett	Chairman and Chief Executive Officer (Principal Executive Officer)	May 21, 2013
By: /s/ Quentin Ponder Quentin Ponder	Vice-Chairman , Chief Financial Officer, Treasurer (Principal Financial and Accounting Officer)	May 21, 2013
By: /s/ Judson Bibb Judson Bibb	Vice-President and Secretary	May 21, 2013
By: /s/ Jay Palmer Jay Palmer	Director	May 21, 2013
By: /s/ Carrie Dwyer Carrie Dwyer	Director	May 21, 2013
By: /s/ Donica Holt Donica Holt	Director	May 21, 2013