

COOL TECHNOLOGIES, INC.
Form 10-Q
August 22, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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

For the transition period from _____ to _____.

Commission file number: 000-53443

**COOL TECHNOLOGIES,
INC.**

(Exact name of registrant as specified in its charter)

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

Nevada
(State or other jurisdiction of
incorporation or organization)

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

8875 Hidden River Parkway, Suite 300

Tampa, FL
(Address of principal executive offices)

33637
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

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

Large accelerated filer	..	Accelerated filer	..
Non-accelerated filer	..	Smaller reporting company	x

(Do not check if a smaller reporting company)

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

As of August 18, 2016, there were 106,723,656 shares of common stock, \$0.001 par value, issued and outstanding.

COOL TECHNOLOGIES, INC.

Table of Contents

PART I – FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	4
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	24

PART II – OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	26
<u>Item 1A. Risk Factors</u>	27
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3. Defaults Upon Senior Securities</u>	29
<u>Item 5. Other information</u>	29
<u>Item 6. Exhibits</u>	30

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "estimate," "intend," "could," "should," "would," "may," "seek," "plan," "might," "will," "expect," "anticipate," "predict," "project," "forecast," "potential," "continue" negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Quarterly Report on Form 10-Q and include information concerning possible or assumed future results of our operations, including statements about potential sales and revenues; acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Cool Technologies, Inc. and subsidiary****Condensed Consolidated Balance Sheets**

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash	\$ 2,764	\$ 10,882
Prepaid expenses	2,701	95,175
Total current assets	5,465	106,057
Intangibles	161,170	153,434
Equipment, net	84,632	97,600
Total assets	\$ 251,267	\$ 357,091
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,405,694	\$ 1,278,307
Accrued liabilities – related party	484,745	591,870
Customer deposits – related party	400,000	400,000
Accrued payroll taxes	93,512	33,737
Debt, current portion	922,274	697,903
Derivative liability	475,805	356,554
Total current liabilities	3,782,030	3,358,371
Debt, long-term portion, net of debt discount	49,031	77,803
Total liabilities	3,831,061	3,436,174
Commitments and contingencies (Note 5)	--	--
Stockholders' equity (deficit):		
Preferred stock, \$.001 par value; 15,000,000 shares authorized; 122 and 136 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	--	--
Common stock, \$.001 par value; 140,000,000 shares authorized; 90,308,150 and 66,600,367 shares issued and outstanding at June 30, 2016 and December	76,422	65,929

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

31, 2015, respectively

Additional paid-in capital	38,801,416	36,038,551
Common stock issuable	70,500	180,900
Common stock held in escrow	8,441	8,441
Accumulated deficit	(42,502,169)	(39,344,245)
Total deficit	(3,545,390)	(3,050,424)
Noncontrolling interest in subsidiary	(34,404)	(28,659)
Total stockholders' deficit	(3,579,794)	(3,079,083)
Total liabilities and stockholders' deficit	\$ 251,267	\$ 357,091

See accompanying notes to condensed consolidated financial statements

Table of Contents

Cool Technologies, Inc. and subsidiary
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenues	\$ --	\$ --	\$ --	\$ --
Cost of revenues	--	--	--	--
Gross profit	--	--	--	--
Operating expenses				
Payroll and related expenses	190,348	198,613	410,652	413,538
Consulting	166,651	636,230	1,379,541	766,653
Professional fees	97,031	266,817	208,375	414,677
Research and development	6,484	267,945	19,253	567,590
General and administrative	135,338	462,043	598,291	951,320
Total operating expenses	595,852	1,813,648	2,616,112	3,113,778
Operating loss	(595,852)	(1,813,648)	(2,616,112)	(3,113,778)
Other income (expense):				
Interest expense, net	(373,870)	(2,617)	(745,113)	(4,575)
Legal Settlement – replacement warrants	--	(1,119,450)	--	(1,119,450)
Change in fair value of derivative liability	882,050	--	735,172	--
Loss on extinguishment of debt	(537,616)	--	(537,616)	--
Net loss	(625,288)	(2,953,715)	(3,163,669)	(4,237,803)
Less: Noncontrolling interest in net loss	(2,165)	(3,711)	(5,745)	(9,363)
Net loss to shareholders	\$ (623,123)	\$ (2,950,004)	\$ (3,157,924)	\$ (4,228,440)
Net loss per common share:				
Basic and diluted	\$ (0.01)	\$ (0.05)	\$ (0.04)	\$ (0.07)
Weighted average common shares outstanding:				
Basic and diluted	82,148,475	64,093,846	88,558,027	62,845,402

See accompanying notes to condensed consolidated financial statements

Table of Contents

Cool Technologies, Inc. and subsidiary
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended	
	June 30,	
	2016	2015
Operating Activities:		
Net loss	\$ (3,163,669)	\$ (4,237,803)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	296,090	571,207
Warrants issued for services	1,182,548	31,887
Legal Settlement – replacement warrants		1,119,450
Loss on extinguishment of debt	537,616	
Employee stock options	327,000	654,000
Non-cash interest expense	277,232	--
Change in fair value of derivative liability	(735,172)	--
Amortization of debt discount	432,993	--
Depreciation expense	12,968	12,885
Changes in operating assets and liabilities:		
Prepaid expenses	92,474	(63,559)
Accounts payable	127,387	554,696
Accrued liabilities – related party	(107,125)	61,872
Accrued payroll liabilities	59,775	11,550
Net cash used in operating activities	(659,883)	(1,283,815)
Investing Activities:		
Intangible assets	(7,736)	(186)
Equipment purchase	--	(5,000)
Net cash used in investing activities	(7,736)	(5,186)
Financing Activities:		
Proceeds from sale of common stock	400,000	1,015,000
Proceeds from debt	267,037	250,000
Payments on debt	(7,536)	(8,532)
Net cash provided by financing activities	659,501	1,256,468
Net (decrease) increase in cash	(8,118)	(32,533)
Cash, beginning of period	10,882	171,871
Cash, end of period	\$ 2,764	\$ 139,338

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

Cash paid for:

Interest	\$	15,263	\$	2,766
Income taxes		--		--

Non-cash transaction:

Derivative liability offset by debt discount	\$	614,472	\$	--
Reduction of stock issuable by issuing common stock		480,400		410,950
Debt and interest settled for common stock		759,410		--

See accompanying notes to condensed consolidated financial statements

Table of Contents

Cool Technologies, Inc. and subsidiary

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Description of Business

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

Basis of Presentation

The accompanying condensed consolidated balance sheet as of December 31, 2015, has been derived from audited financial statements. The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited financial statements and in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. In the opinion of management, such unaudited information includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of this interim information. All intercompany transactions have been eliminated in consolidation. Noncontrolling interest represents the 5% third party ownership of our subsidiary, UPT. Operating results and cash flows for interim periods are not necessarily indicative of results that can be expected for the entire year. The information included in this report should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred net losses of \$42,502,169 since inception and have not fully commenced operations, raising substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise capital, generate revenue, achieve profitable operations and repay our obligations when they come due. We will have to obtain additional debt and / or equity financing; however, we cannot provide investors with assurance that we will be able to raise sufficient capital to fund our operations. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty. As of the filing date of this Quarterly Report on Form 10-Q, management is negotiating additional funding arrangements to support completion of the commercialization phases of our business plan: to license its thermal technologies and applications, including submersible dry-pit applications; and to license and sell mobile generation retrofit kits (our Ultimate Power Truck business) as well as retrofitted vehicles that incorporate our proprietary gearing system. There can be no assurance, however, that we will be successful in raising additional financing and accomplishing these objectives.

Table of Contents***Recently Issued Accounting Pronouncements***

Financial Accounting Standards Board, or FASB, Accounting Standards Update, or FASB ASU 2016-09 "Compensation – Stock Compensation (Topic 718)" – In March 2016, the FASB issued ASU 2016-09, which includes multiple provisions intended to simplify various aspects of accounting for share-based payments. While aimed at reducing the cost and complexity of the accounting for share-based payments, the amendments are expected to significantly impact net income, earnings per share, and the statement of cash flows. Implementation and administration may present challenges for companies with significant share-based payment activities. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We are currently evaluating the potential impact this standard will have on our consolidated financial statements and related disclosures.

FASB ASU 2016-10 "Revenue from Contracts with Customers (Topic 606)" – In April 2016, the FASB issued ASU 2016-10, clarify identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. We are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position.

Note 2 – Customer deposits – Related party

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

Note 3 – Debt

Debt consists of the following:

	June 30,	December 31,
	2016	2015
Notes payable -- original issue discount	\$ -	\$ 400,000
Convertible notes payable	873,915	365,350

Test vehicle financing	69,539	77,075
Note payable – related party	237	22,910
Note payable – UPT minority owner	250,000	250,000
	1,193,691	1,115,335
Debt discount	(222,386)	(339,629)
	971,305	775,706
Less: current portion	(922,274)	(697,903)
	\$ 49,031	\$ 77,803

Notes payable – original issue discount

In October 2015, we received \$350,000 under two notes payable with an original issue discount of \$50,000, in lieu of interest. The \$400,000 principal balance was payable in full on March 31, 2016. In the event of default, the interest rate will be 18% per annum. The notes were amended on April 28, 2016. In exchange for the note holders refraining from taking legal action in relation to non-payment of the notes until May 16, 2016, the Company agreed to pay liquidated damages of \$80,000 and forbearance fees of \$5,000 each. In the event that the notes were not paid in full by the end of the forbearance period, then the note holders would be due additional liquidated damages of \$98,000. Payment was not made, so the damages were added to the balance due. On May 23, 2016, one of the note holders agreed to extend the maturity date of his note until September 30, 2016. In exchange, the note holder received the right to convert a portion or all of the unpaid principal balance at a rate of 75% of the average of the volume weighted average price (VWAP) in the twelve trading days immediately preceding the request for conversion date as well as continued accrual of 3% liquidated damages each month and 18% interest on the total balance due.

Table of Contents

Convertible notes payable

September 2015 Convertible Note -- In September 2015, we entered into a convertible note agreement, which allows us to borrow up to \$250,000, bearing interest at 10%, with principal and interest payable on September 15, 2017. We borrowed \$75,000 in September 2015 and \$50,000 in November 2015, for a total of \$125,000 due on September 15, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at the lesser of \$0.305 per share or 65% of the volume weighted average price of our common stock during the five consecutive trading days immediately preceding the applicable conversion date. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet. In March, April and May 2016, the \$75,000 note and interest of \$16,667 were converted in exchange for 771,429 shares of our common stock. In May and June, 2016, the remaining \$50,000 note and \$14,256 of interest were converted in exchange for 649,450 shares of our common stock.

December 2015 Convertible Notes -- In December 2015, we entered into a convertible note agreement, bearing interest payable quarterly at 10%, allowing us to borrow up to \$248,800. In December 2015, we received \$200,000 under the convertible note agreement, with an original issue discount of \$20,350 and \$20,000 distributed to the lender's legal counsel, for a total amount of \$240,350 due on December 1, 2016, with a debt discount of \$40,350. In January 2016, we received the remaining \$48,800 with an original issue discount of \$5,850, for a total amount of \$54,650 due on February 26, 2017. At the holder's option, a portion or all of the unpaid principal balance may be converted into shares of our common stock at a rate of \$0.12 per share. In the event of a default, the conversion price becomes 70% of the volume weighted average price of our common stock during the three consecutive trading days immediately preceding the applicable conversion date. We also issued warrants to purchase 500,000 shares of our common stock in two separate tranches for 250,000 shares each, with exercise prices of 125% and 150% of our common stock price on the day prior to closing the agreement, or \$0.175 per share and \$0.21 per share. We determined that the conversion feature and the warrants meet the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet. The convertible notes have prepayment penalties of 115%, 120%, 125% and 130%, respectively, in the event the note is settled within 45 days, 46-90 days, 91-120 days, and 121 days through the due date. We placed 12,291,667 shares of our common stock in escrow as collateral for this agreement.

On May 30, 2016, we executed an amendment to the convertible note agreement. In consideration for removing limitations, until November 15, 2016, on sales of securities of at least \$500,000 including variable rate transactions, convertible notes and third party transactions set forth in the Securities Purchase Agreement signed on December 3, 2015 as well as authorizing the withdrawal of a registration statement filed on January 11, 2016, we agreed to file a new registration statement covering the shares issuable to the holder of the Notes.

In consideration for amending the Notes to permit borrowings by the Company of up to \$6,500,000, we agreed to amend the Notes to enable the conversion price to be equal to the lesser of \$0.12 and 70% of the average of three

VWAPs from the 20 trading days prior to the notice of conversion. Furthermore, we agreed that if it were to issue new notes with greater discounts than those detailed above, the existing Notes would be reset to match the lower conversion price. Finally, we agreed to lower the exercise prices (from \$0.21 to \$0.168, and from \$0.175 to \$0.140, respectively) on two existing warrants totaling 500,000 shares previously issued to the holder of the Notes and to issue a cashless, two year warrant to purchase 250,000 shares at an exercise price of \$0.168 per share.

February 2016 Convertible Note – In February 2016, we entered into a convertible note agreement. We received \$125,000, with an original issue discount of \$15,500 in lieu of interest, for a total amount of \$140,500 due on August 10, 2016. On August 17, 2016, we signed an Amendment to the Convertible Promissory Note which extended the maturity date of the note by two weeks to August 24, 2016. In exchange for the extension, we agreed to pay the lender an extension fee of \$15,000 payable in conversion shares. The conversion shares totaled \$25,000. The remaining \$10,000 was used to reduce the outstanding balance of the note. In the event of default, the interest rate will be 22% per annum. At any time following an event of default, the lender has the right to convert a portion or all of the unpaid principal balance at a rate of 65% of the average of the three lowest closing prices in the twenty trading days immediately preceding the request for conversion date. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet.

May 2016 Convertible Note – In May 2016, we entered into a convertible note agreement. We received \$120,600, bearing interest at 12%, with principal and interest payable on September 15, 2017 in a total amount of \$141,102. In the event of default, the interest rate will be 18% per annum. At any time following after the 180th day from the date of issuance, the lender has the right to convert a portion or all of the unpaid principal balance at a rate of 60% of the average of the lowest trading price in the fifteen trading days immediately preceding the request for conversion date. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet.

Table of Contents***Test Vehicle Financing***

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

Note payable – related party

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

Note payable – UPT minority owner

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

Future contractual maturities of debt are as follows:

Year ending December 31,	
2016	\$ 857,654
2017	296,937
2018	20,789
2019	18,311
	\$ 1,193,691

Note 4 – Derivative Liability

Under the terms of the convertible note agreements, we identified derivative instruments arising from embedded conversion features, as well as warrants issued with the December 2015 Convertible Note.

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

	January 27, 2016 ⁽¹⁾	February 10, 2016 ⁽²⁾	February 24, 2016 ⁽³⁾	March 31, 2016
Volatility	121%	121%	118%	121 – 127%
Risk-free interest rate	0.5%	0.4%	0.7%	0.3 – 0.8%
Expected life (years)	1.0	0.5	1.6	0.4 – 2.7
Dividend yield	--	--	--	--

Table of Contents

	April 11, 2016 ⁽³⁾	April 19, 2016 ⁽³⁾	April 27, 2016 ⁽³⁾	May 3, 2016 ⁽³⁾
Volatility	123%	125%	132%	134%
Risk-free interest rate	0.615%	0.65%	0.705%	0.64%
Expected life (years)	1.43	1.41	1.39	1.37
Dividend yield	--	--	--	--

	May 6, 2016 ⁽³⁾	May 16, 2016 ⁽³⁾⁽⁶⁾	May 17, 2016 ⁽⁷⁾	May 24, 2016 ⁽⁵⁾
Volatility	134%	138%	118 – 139%	139%
Risk-free interest rate	0.625%	0.45 - 0.570%	0.28%	0.69%
Expected life (years)	1.36	0.63 - 1.33	0.37- 1.6	1.0
Dividend yield	--	--	--	--

	May 27, 2016 ⁽³⁾⁽⁸⁾	June 10, 2016 ⁽⁴⁾⁽⁷⁾	June 13, 2016 ⁽⁸⁾	June 16, 2016 ⁽³⁾
Volatility	139%	145%	146%	145%
Risk-free interest rate	0.575 - 0.68%	0.26 - 0.42%	0.55%	0.445%
Expected life (years)	0.99 - 1.30	0.31 - 0.5	0.95- 1.6	1.25
Dividend yield	--	--	--	--

	June 21, 2016 ⁽⁷⁾	June 29, 2016 ⁽⁴⁾⁽⁷⁾	June 30, 2016
Volatility	146%	144%	144%
Risk-free interest rate	0.27%	0.26 - 0.35%	0.2 - 0.645%
Expected life (years)	0.28 - 1.0	0.25 - 0.5	0.11 - 2.42
Dividend yield	--	--	--

(1) Additional borrowing under the December 2015 Convertible Note.

(2) Borrowing under the February 2016 Convertible Note.

(3) Partial conversion of the September 2015 Convertible Note.

Table of Contents

- (4) Partial conversion of the December 2015 Convertible Note.
- (5) Notes Payable Original Issue Discount converted into Exchange Notes.
- (6) Borrowing under the May 2016 Convertible Note.
- (7) Partial Conversion of Notes Payable Original Issue Discount
- (8) Partial Conversion of Exchange Notes

Changes in the derivative liability were as follows:

	Amount
December 31, 2015	\$ 356,554
December 2015 Convertible Note – additional borrowing	53,951
February 2016 Convertible Note	252,271
Exchange – Notes Payable Original Issue Discount	347,672
May 2016 Convertible Note	200,529
Conversion – September 2015 Convertible Note	(171,276)
Conversion - December 2015 Convertible Note	(75,305)
Conversion – Notes Payable Original Issue Discount	(110,093)
Change in fair value at June 30, 2016	(378,498)
June 30, 2016	\$ 475,805

An estimated 14,128,451 number of shares were issuable if the conversion features and warrants had been exercised on June 30, 2016.

Note 5 -- Commitments and Contingencies

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

escrow are reflected in equity on the condensed consolidated balance sheets as common stock held in escrow.

Table of Contents

Effective May 1, 2015, we executed a First Amendment to Settlement Agreement (the "Amendment") with Spirit Bear and the parties identified as the assignees of Spirit Bear who are signatories to the Amendment, which amends certain provisions of our original Settlement Agreement with Spirit Bear. In accordance with the terms of the Amendment, Jay Palmer, Carrie Dwyer and Donica Holt, the Spirit Bear holdover directors, tendered their resignation from the Board of Directors of the Company. Spirit Bear also agreed that it will no longer have any rights to appoint nominees to the Board of Directors. Pursuant to the Amendment, the Company agreed to file a registration statement on Form S-1 covering an aggregate of 14,028,385 shares of common stock, preferred stock and warrants on behalf of Spirit Bear and its assignees no later than July 15, 2015, which was filed with the SEC on July 15, 2015. A representative of Spirit Bear agreed that the obligation to register the shares on a Form S-1 need only include shares of common stock and shares of common stock issuable upon conversion of the Preferred Stock and exercise of the warrants held by Spirit Bear and its assignees. The Company agreed to issue replacement warrants for certain previously-issued warrants, which will be canceled in connection with the replacement issuance. Within 10 business days of June 1, 2015, the parties agreed to dismiss all of the pending litigation between and among them.

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

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

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

At the November 20, 2015, fairness hearing, the Court denied Peak Finance's Motion to Intervene. However, the Court did allow Peak Finance to formally argue its objections to the DASA. The Court ordered additional briefing on certain issues, which has not been completed. The Court further ordered another hearing to consider the DASA on April 1, 2016.

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

Table of Contents

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

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

Note 6 – Equity*Common Stock*

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

Common stock issuable on the condensed consolidated balance sheet represents common stock to be issued for either cash received or services performed. As of June 30, 2016 and December 31, 2015, the number of shares of common stock to be issued was 265,412 and 701,018 shares, respectively.

Common stock warrants issued with the sale of our common stock

When we sell shares of our common stock the buyer also typically receives fully-vested common stock warrants with a maximum contractual term of 3-5 years. A summary of common stock warrants issued with the sale of our common stock as of June 30, 2016, and changes during the period then ended is presented below:

Number of Warrants	Weighted-average Exercise Price	Weighted-average Remaining Life (Years)	Aggregate Intrinsic Value
20,726,707	\$ 0.49		

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

Outstanding, December 31, 2015				
Granted	5,130,770	0.24		
Forfeited or cancelled	(2,438,194)	0.40		
Outstanding, June 30, 2016	23,419,283	0.46	2.01	\$ 0
Exercisable, June 30, 2016	23,419,283	0.46	2.01	\$ 0

Included in the warrants granted and cancelled above are 3,729,164 warrants for which the life was extended by one year, for which we recorded expense of \$660,000.

Table of Contents**Note 7 – Share-based payments**

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

	Six months ended June 30,	
	2016	2015
Nonemployee common stock	\$ --	\$ 571,207
Nonemployee warrants – fully-vested upon issuance	445,390	--
Nonemployee warrants – service and performance conditions	9,856	31,887
Legal Settlement – replacement warrants		1,119,450
Employee stock options – market price-based	327,000	654,000
Total share-based expense charged against income	\$ 782,246	\$ 2,376,544
Impact on net loss per common share:		
Basic and diluted	\$ (0.01)	\$ (0.04)

Nonemployee common stock***UPT management agreement***

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

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

As of June 30, 2016, and from the date of the agreement, meeting these conditions was not deemed probable, so no expense was recognized under this agreement and no common stock was issued.

Investor relations agreement

In June, 2014, we entered into an agreement with a company, which subsequently became a shareholder, to provide investor relations services. Under the terms of this agreement we agreed to issue 60,000 shares of common stock each quarter through May 2015, for a total of 240,000 shares. We recognized expense of \$31,200, during the quarter ended March 31, 2015, for the issuance of 60,000 shares.

In January, 2016, we entered into an agreement with a company, which subsequently became a shareholder, to provide investor relations services. Under the terms of this agreement, we agreed to issue 150,000 one year warrants per month through February 2016, for a total of 300,000 warrants. In March 2016, we renewed the agreement through December 2016. Under the terms of the renewed agreement, we agreed to issue 50,000 restricted common shares and 150,000 one year warrants each month for three months. Thereafter, we agreed to issue 100,000 restricted common shares and 100,000 warrants each month for the duration of the renewed agreement. A total of 2,000,000 restricted common shares and warrants are due to be issued under the renewed agreement. We recognized expenses of \$5,000 for the issuance of 25,000 shares and \$65,151 for the issuance of 600,000 warrants during the quarter ended June 30, 2016.

Table of Contents*Other*

During the quarters ended June 30, 2016 and 2015, we issued no other shares of common stock in exchange for services.

*Nonemployee common stock warrants -- Fully-vested upon issuance**Financing Advisory Services*

In January 2016, we modified the terms of previously issued warrants and issued additional warrants to a company that provides us with financial consulting services. We lowered the exercise price on 2,533,000 warrants to \$0.30 per share for warrants that previously had exercise prices ranging from \$0.56 to \$2.50 per share. As a result of modifying the previously issued warrants, we recognized expense of \$64,000. We also issued 1,266,503 additional warrants with an exercise price of \$0.30 per share that expire in five years, for which we recognized expense of \$246,500.

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

	Replacement Warrants	Additional Warrants
Volatility	133 – 182%	204%
Risk-free interest rate	1.1 – 1.3%	1.4%
Expected life (years)	3.0 – 4.3	5.0
Dividend yield	--	--

Board of Advisors

In February 2016, we issued three year warrants to purchase 400,000 shares of common stock at an exercise price of \$0.27 per share and 200,000 shares of common stock at an exercise price of \$0.31 per share, to five individuals serving on our board of advisors. We recognized \$134,890 of expense for these warrants.

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

Volatility	127%
Risk-free interest rate	0.9%
Expected life (years)	3.0
Dividend yield	--

Table of Contents*Nonemployee common stock warrants -- Service and performance conditions**UPT management agreement*

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

Vesting Condition	Category	Number of Warrants
Fully vest upon UPT generating \$1 million of revenue	Performance	350,000
45,945 warrants for every \$3 million of revenue generated by UPT up to \$100 million	Performance	1,530,000
60,000 warrants for every three months of completed service managing UPT	Service	720,000
Total		2,600,000
Vested – June 30, 2016		(480,000)
Nonvested – June 30, 2016		2,120,000

The common stock warrants have a three year life and an exercise price of \$1.00 per share. The grant date fair value was \$2,586,000. As of June 30, 2016, and since the date of the agreement, we have not deemed it probable that the performance conditions will be met, so no expense was recognized and no common stock warrants vested. During the six months ended June 30, 2016 and 2015, 120,000 of the common stock warrants under the service condition vested with the passage of time and we recognized expense of \$12,007 and \$61,200, respectively.

Financing advisory services

In March, 2014, we entered into an agreement with a company, which is also a shareholder, to provide financing advisory services, in return for 400,000 common stock warrants having a five year life and an exercise price of \$2.50, with vesting in March, 2015 upon satisfactory performance under the agreement. As of December 31, 2014, we deemed it probable that the vesting conditions would be met. Accordingly, during the year ended December 31, 2014, we recognized estimated expense of \$200,379. As of June 30, 2015, the service conditions were met and the award was re-valued at \$179,964, resulting in a reduction in expense of \$20,415 during the quarter ended June 30, 2015.

Employee stock options – Fully-vested

We granted no additional fully-vested options during the three months ended June 30, 2016.

Table of Contents*Employee stock options – Market-based*

We granted no additional options that vest upon the achievement of certain stock prices during the three months ended June 30, 2016. No additional non-vested market-based options vested during the quarter ended June 30, 2016.

Note 8 – Net Loss per Share

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

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net loss available for stockholders	\$ (623,123)	\$ (2,950,004)	\$ (3,157,924)	\$ (4,228,440)
Weighted average outstanding shares of common stock	82,148,475	64,093,646	88,558,027	62,845,402
Dilutive effect of stock options and warrants	--	--	--	--
Common stock and equivalents	82,148,475	64,093,646	88,558,027	62,845,402
Net loss per share – Basic and diluted	\$ (0.01)	\$ (0.05)	\$ (0.04)	\$ (0.07)

Outstanding stock options and common stock warrants are considered anti-dilutive because we are in a net loss position.

Note 9 – Subsequent Events

On August 12, 2016, we filed an Amendment to the Certificate of Designation with the State of Nevada which amended the rights and terms of the 14,500,000 authorized shares of the Company's Series B Preferred Stock. The amendment passed by Unanimous Written Consent of the Board of Directors enables the holders of shares of Series B Preferred Stock to convert the shares to common stock on a one-to-one basis, to share in dividends issued by the Company and to directly or indirectly assign, transfer, sell or otherwise dispose of the Preferred Stock without the prior written consent of the Board. The requirement for stockholders to grant an irrevocable proxy was rescinded.

Subsequent to June 30, 2016, \$284,787.50 under an October 2015 Note Payable -- Original Issue Discount were converted in exchange for 8,751,606 shares of our common stock as a consequence of a Second Extension and Amendment Agreement signed May 23, 2016, in which the note holder received the right to convert a portion or all of the unpaid principal balance.

Subsequent to June 30, 2016, \$140,350.01 under the December 2015 Convertible Note were converted in exchange for 5,153,403 shares of our common stock.

Subsequent to June 30, 2016, \$84,176.74 under the May 2016 Convertible Note were converted in exchange for 2,409,975 shares of our common stock.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Discussion and Outlook

Cool Technologies, Inc., (we, us, our, the "Company" or "Cool Technologies") was incorporated in the State of Nevada on July 22, 2002. We were formerly known as Bibb Corporation, Z3 Enterprises and HPEV, Inc. On August 20, 2015, we changed our name to Cool Technologies, Inc. We have developed and intend to commercialize thermal dispersion technologies in various product platforms and a parallel power input gearbox, around which we have designed a mobile generator system that can be retrofit onto new and existing trucks. In preparation, we have applied for trademarks for one of our technologies and its acronym. The Company currently has two trademarks: HPEV and TEHPC.

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

We are commercializing thermal dispersion technologies based on proprietary composite heat structures and heat pipe architecture in various product platforms such as electric motors, pumps, turbines, bearings and vehicle components. We believe that our technologies can help increase the efficiency and lifespan as well as help meet regulatory emissions standards for heat producing equipment and components. The simplicity of the heat pipe architecture as well as the fact that it provides effective new applications for existing manufacturing processes should enhance the cost structure in several large industries including motor/generator and engine manufacturing.

As part of the commercialization, we have applied for and received a trademark for our Totally Enclosed Heat Pipe Cooled technology or 'TEHPC'.

We are also commercializing an integrated parallel power input system that can be retrofit onto new and existing American trucks. The integrated system enables work trucks to run an on-board generator to deliver mobile electric power. When the generator is enhanced by our thermal technology, it should be able to output more power than any other generator of its size on the market. Such a development will magnify the benefits over towable generators and any other competition on the market.

The markets we intend to serve with our mobile generation system include consumer, industrial and military markets, both in the U.S. and worldwide.

As of June 30, 2016, we have five US patents and seven patent applications pending in the area of composite heat structures, motors, and related structures, heat pipe architecture, applications (commonly referred to as "thermal" or "heat dispersion technology") and a parallel power vehicle platform system. We also have a Patent Cooperation Treaty ("PCT") applications filed for a heat pipe cooled brake system, a parallel power input gearing system (PPIG) and radial vent thermal technology.

We are commercializing our patents by integrating our technology with Original Equipment Manufacturer (OEM) partners, by licensing our thermal technologies and applications to electric motor, generator, pump and vehicle component (brake, resistor, caliper) manufacturers; and by licensing or marketing a mobile electric power system powered by our proprietary gearing system to commercial vehicle and fleet owners. Third party representatives and our UPT subsidiary are also taking pre-orders for new retrofitted work trucks.

Table of Contents

We generated our first Mobile Generation order during the quarter ended June 30, 2014, and received a partial deposit in advance of completing the sale. There can be no assurances that we will be able to fulfill the order, however, a laboratory mobile electric power system has been successfully tested and is being readied for future field testing. Currently, we primarily incur expenses to commercialize our products, which include costs for research and development, professional fees and general operations.

Results of Operations

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

	Three months ended June		Change	%
	2016	30, 2015		
Revenues	\$ --	\$ --	N/A	N/A
Operating expenses				
Payroll and related expenses	190,348	198,613	(8,265)	(4.2)%
Consulting	166,651	636,230	(469,579)	(73.8)%
Professional fees	97,031	266,817	(169,786)	(63.6)%
Research and development	6,484	267,945	(261,461)	(97.6)%
General and administrative	135,338	462,043	(326,705)	(70.7)%
Total operating expenses	595,852	1,831,648	(1,235,796)	(67.5)%
Interest expense, net	(373,870)	(2,617)	371,253	14,186.2%
Legal settlement – warrants	--	(1,119,450)	(1,119,450)	N/A
Change in fair value of derivative liability	882,050	--	882,050	N/A
Loss on extinguishment of debt	(537,616)	--	(537,616)	N/A
Net loss	(625,288)	(2,953,715)	(2,328,427)	(78.8)%
Less: Noncontrolling interest	(2,165)	(3,711)	(1,546)	(41.7)%
Net loss to shareholders	\$ (623,123)	\$ (2,950,004)	\$ (2,326,881)	(78.9)%

Table of Contents

	Six months ended June 30,		Change	%
	2016	2015		
Revenues	\$ --	\$ --	N/A	N/A
Operating expenses				
Payroll and related expenses	410,652	413,538	(2,886)	(.07)%
Consulting	1,379,541	766,653	612,888	79.9%
Professional fees	208,375	414,677	(206,302)	(49.8)%
Research and development	19,253	567,590	(548,337)	(96.6)%
General and administrative	598,291	951,320	(353,029)	(37.1)%
Total operating expenses	2,616,112	3,113,778	(497,666)	(16.0)%
Interest expense, net	(745,113)	(4,575)	740,538	16,186.6%
Legal settlement – warrants	--	(1,119,450)	(1,119,450)	N/A
Change in fair value of derivative liability	735,172	--	735,172	N/A
Loss on extinguishment of debt	(537,616)	--	537,616	N/A
Net loss	(2,789,270)	(4,237,803)	(1,448,533)	(34.2)%
Less: Noncontrolling interest	(5,637)	(9,363)	(3,726)	(39.8)%
Net loss to shareholders	\$ (2,783,633)	\$ (4,228,440)	\$ (1,444,807)	(34.2)%

Revenues

During the three and six months ended June 30, 2016, and since inception, we have not generated any revenues.

Operating Expenses

Payroll and related expenses remained relatively flat during the periods reported. Over the past six months expected capital infusions either did not occur or were significantly delayed. Consequently, restricted capital reduced expenses in almost all aspects of the Company. Consulting expense decreased during the three months ended June 30 from \$636,230 in 2015 to \$166,651 in 2016. For the six months ended June 30, consulting expense increased from \$766,653 in 2015 to \$1,379,541 in 2016 due primarily to a one time revaluation of existing warrants, otherwise, the consulting expense would have decreased as well. Professional fees decreased during the three months ended June 30 from \$266,817 in 2015 to \$97,031 in 2016, and for the six months ended June 30 from \$414,677 in 2015 to \$208,375 in 2016. Research and development decreased during the three months ended June 30 from \$267,945 in 2015 to

\$6,484 in 2016, and for the six months ended June 30 from \$567,590 in 2015 to \$19,253 in 2016. General and administrative expense decreased during the three months ended June 30 from \$462,043 in 2015 to \$135,338 in 2016, and for the six months ended June 30 from \$951,320 in 2015 to \$598,291 in 2016.

Table of Contents

Other Income and Expense

Interest expense increased in 2016 due to (a) additional borrowings, (b) amortization of debt discounts of \$432,993, and (c) recording the excess fair value of debt-related derivatives as interest expense of \$27,778. Interest expense in 2015 related primarily to our vehicle financing. The change in fair value of derivative liability reflects the change in fair value of the conversion feature embedded in the convertible debt agreements of \$378,498 increased by a gain on conversion of \$356,674.

Net Loss and Noncontrolling interest

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

Liquidity and Capital Resources

We have historically met our liquidity requirements primarily through the public sale and private placement of equity securities, debt financing, and exchanging common stock warrants and options for professional and consulting services. At June 30, 2016, we had cash and cash equivalents of \$2,764.

Working capital is the amount by which current assets exceed current liabilities. We had negative working capital of \$3,412,038 and \$3,252,314, respectively, at June 30, 2016 and December 31, 2015. The decrease in working capital was due to an increase in accounts payable, amounts due to related parties, and incurring debt for working capital purposes.

September 2015 Convertible Note -- In September 2015, we entered into a convertible note agreement, which allows us to borrow up to \$250,000, bearing interest at 10%, with principal and interest payable on September 15, 2017. We borrowed \$75,000 in September 2015 and \$50,000 in November 2015, for a total of \$125,000 due on September 15, 2017. At the holder's option, a portion or all of the unpaid principal and interest may be converted into shares of our common stock at the lesser of \$0.305 per share or 65% of the volume weighted average price of our common stock during the five consecutive trading days immediately preceding the applicable conversion date. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet. In March, April and May 2016, the \$75,000

note and interest of \$16,667 was settled in exchange for 771,429 shares of our common stock. In May and June, 2016, the remaining \$50,000 note and \$14,256 of interest were converted in exchange for 531,429 shares of our common stock.

On May 30, 2016, we executed an amendment to the convertible note agreement. In consideration for removing limitations, until November 15, 2016, on sales of securities of at least \$500,000 including variable rate transactions, convertible notes and third party transactions set forth in the Securities Purchase Agreement signed on December 3, 2015 as well as authorizing the withdrawal of a registration statement filed on January 11, 2016, we agreed to file a new registration statement covering the shares issuable to the holder of the Notes.

In consideration for amending the Notes to permit borrowings by the Company of up to \$6,500,000, we agreed to amend the Notes to enable the conversion price to be equal to the lesser of \$0.12 and 70% of the average of three VWAPs from the 20 trading days prior to the notice of conversion. Furthermore, we agreed that if it were to issue new notes with greater discounts than those detailed above, the existing Notes would be reset to match the lower conversion price. Finally, we agreed to lower the exercise prices (from \$0.21 to \$0.168, and from \$0.175 to \$0.140, respectively) on two existing warrants totaling 500,000 shares previously issued to the holder of the Notes and to issue a cashless, two year warrant to purchase 250,000 shares at an exercise price of \$0.168 per share.

Table of Contents

December 2015 Convertible Notes -- In December 2015, we entered into a convertible note agreement, bearing interest payable quarterly at 10%, allowing us to borrow up to \$248,800. In December 2015, we received \$200,000 under the convertible note agreement, with an original issue discount of \$20,350 and \$20,000 distributed to the lender's legal counsel, for a total amount of \$240,350 due on December 1, 2016, with a debt discount of \$40,350. In January 2016, we received the remaining \$48,800 with an original issue discount of \$5,850, for a total amount of \$54,650 due on February 26, 2017. At the holder's option, a portion or all of the unpaid principal balance may be converted into shares of our common stock at a rate of \$0.12 per share. In the event of a default, the conversion price becomes 70% of the volume weighted average price of our common stock during the three consecutive trading days immediately preceding the applicable conversion date. We also issued warrants to purchase 500,000 shares of our common stock in two separate tranches for 250,000 shares each, with exercise prices of 125% and 150% of our common stock price on the day prior to closing the agreement, or \$0.175 per share and \$0.21 per share. We determined that the conversion feature and the warrants meet the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet. The convertible notes have prepayment penalties of 115%, 120%, 125% and 130%, respectively, in the event the note is settled within 45 days, 46-90 days, 91-120 days, and 121 days through the due date. We placed 12,291,667 shares of our common stock in escrow as collateral for this agreement.

February 2016 Convertible Note – In February 2016, we entered into a convertible note agreement. We received \$125,000, with an original issue discount of \$15,500 in lieu of interest, for a total amount of \$140,500 due on August 10, 2016. In the event of default, the interest rate will be 22% per annum. At any time following an event of default, the lender has the right to convert a portion or all of the unpaid principal balance at a rate of 65% of the average of the three lowest closing prices in the twenty trading days immediately preceding the request for conversion date. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet.

May 2016 Convertible Note – In May 2016, we entered into a convertible note agreement. We received \$120,600, bearing interest at 12%, with principal and interest payable on September 15, 2017 in a total amount of \$141,102. In the event of default, the interest rate will be 18% per annum. At any time following after the 180th day from the date of issuance, the lender has the right to convert a portion or all of the unpaid principal balance at a rate of 60% of the average of the lowest trading price in the fifteen trading days immediately preceding the request for conversion date. We determined that the conversion feature meets the requirements for derivative treatment and have recorded a derivative liability and a corresponding debt discount on the condensed consolidated balance sheet.

We currently have no off-balance sheet arrangements.

Cash Flows

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

	Six months ended June 30,	
	2016	2015
Net cash used in operating activities	\$ (659,883)	\$ (1,283,815)
Net cash used in investing activities	(7,736)	(5,186)
Net cash provided by financing activities	659,501	1,256,468

Net cash used in operating activities decreased primarily due to deferring payment to vendors and management. Our investing activity relates to purchasing equipment in 2015 and the development of patents in both years. Cash provided by financing activities included sale of common stock for \$400,000 and \$1,015,000, respectively, and debt borrowings of \$267,037 and \$250,000, respectively, during 2016 and 2015.

Table of Contents

Management believes the Company's funds are insufficient to provide for its projected needs for operations for the next 12 months. We will need additional funding to support product development and working capital needs. We hope to raise additional funds by selling our equity securities; however, there can be no assurance that we will be able to raise such additional financing.

Going Concern

We have incurred net losses of \$42,502,169 since inception and have not fully commenced operations, raising substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise capital, generate revenue, achieve profitable operations and repay our obligations when they come due. We will have to obtain additional debt and / or equity financing; however, we cannot provide investors with assurance that we will be able to raise sufficient capital to fund our operations. As of the filing date of this Quarterly Report on Form 10-Q, management is negotiating additional funding arrangements to support completion of the commercialization phases of our business plan: to license its thermal technologies and applications, including submersible dry-pit applications; and to license and sell mobile generation retrofit kits (our Ultimate Power Truck business) as well as retrofitted vehicles that incorporate our proprietary gearing system. There can be no assurance, however, that we will be successful in raising additional financing and accomplishing these objectives.

Critical Accounting Estimates

Our condensed consolidated financial statements and the accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, and expenses. We continually evaluate the accounting policies and estimates used to prepare the condensed consolidated financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations and financial position are discussed in our Annual Report on Form 10-K for the year ended December 31, 2015 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

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

Item 4. Controls and Procedures

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

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

Table of Contents

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of June 30, 2016, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, based on the material weaknesses discussed below, our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Act Commission's rules and forms and that our disclosure controls are not effectively designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our internal controls are not effective for the following reasons, (1) there are no entity level controls, because of the limited time and abilities of the Company's five officers, (2) there is no separate audit committee, and (3) we have not implemented adequate system and manual controls. As a result, the Company's internal controls have inherent weaknesses, which may increase the risks of errors in financial reporting under current operations and accordingly are not effective as evaluated against the criteria set forth in the Internal Control – Integrated Framework issued by the committee of Sponsoring Organizations of the Treadway Commission (1992 version). Based on our evaluation, our management concluded that our internal controls over financial reporting were not effective as of June 30, 2016.

Going forward, we intend to evaluate our processes and procedures and, where practicable, implement changes in order to have more effective controls over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Spirit Bear Ltd.

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

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

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

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

2016.

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

SEC Subpoena

On September 18, 2013, separate and distinct from the settlement of the lawsuit discussed above, the SEC served the Company with a subpoena entitled In the Matter of HPEV, Inc. The subpoena requested documents relating to several matters, including Spirit Bear, Robert Olins and all of their respective affiliates. The Company has not heard anything further concerning this investigation.

U.S. District Court, District of Nevada

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

Table of Contents

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

Item 1A. Risk Factors

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

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

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

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

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

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

On May 9, 2016, we issued 25,000 shares of our common stock in exchange for services received.

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

On June 24, 2016, we issued to our CEO, Timothy Hassett, 625,000 shares of our common stock in exchange and a five year warrant to purchase 625,000 shares of our common stock for accrued salary. The warrant may be exercised on a cashless basis.

On June 24, 2016, we issued to our president, Theodore Banzhaf, 500,000 shares of our common stock and a five year warrant to purchase 500,000 shares of our common stock in exchange for accrued salary. The warrant may be exercised on a cashless basis.

On June 24, 2016, we issued to Summit Management Consulting, Inc., a wholly owned company of our CFO, Quentin Ponder, 400,000 shares of our common stock and a five year warrant to purchase 400,000 shares of our common stock in exchange for accrued consulting fees. The warrant may be exercised on a cashless basis.

On June 24, 2016, we issued to our vice president, Judson Bibb, 750,000 shares of our common stock and a five year warrant to purchase 750,000 shares of our common stock in payment for loans and exchange for accrued salary. The warrant may be exercised on a cashless basis.

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

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

Table of Contents

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

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

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

On July 11, 2016, we issued 100,000 conversion shares of our common stock upon conversion of 2 shares of our preferred stock.

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

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

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

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

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

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

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

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

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

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

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

None of the above issuances involved any underwriters, underwriting discounts or commissions, or any public offering and we believe we are exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof and/or Regulation D promulgated thereunder.

Item 3. *Defaults Upon Senior Securities*

None.

Item 5. *Other Information*

None.

Table of Contents

Item 6. Exhibits

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

32.1 Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

30

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cool Technologies, Inc.

Dated: August 22, 2016

By: */s/ Timothy Hassett*
Timothy Hassett
Chief Executive Officer
(Principal Executive Officer)

Dated: August 22, 2016

By: */s/ Quentin Ponder*
Quentin Ponder
Chief Financial Officer
(Principal Financial and
Accounting Officer)