



Turbodyne  
Technologies,  
Inc. Unaudited  
Interim Report  
for the Period  
Ending March  
31, 2015  
Pursuant to OTC  
Pink Basic  
Disclosure  
Guidelines

March 31

2015

This interim report for Turbodyne Technologies, Inc. was prepared pursuant to the OTC Pink Basic Disclosure Guidelines. The financial statements contained in this report were prepared in accordance with Generally Accepted Accounting Practices in the United States. The financial statements and disclosures contained in this report describe the financial and operational condition of Turbodyne Technologies, Inc. for the three month period ending March 31, 2015 and are not audited or reviewed. An investment in our securities is speculative and involves a high degree of risk and should only be considered by those who have no need for liquidity and can withstand the loss of all or part of their investment. Prospective investors are urged to read the section titled "Risk Factors" prior to purchasing our securities.

Interim Report  
for Period  
Ending March  
31, 2015

This Interim Financial Report may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “desire,” “goal,” “should,” “objective,” “seek,” “plan,” “strive” or “anticipate,” as well as variations of such words or similar expressions, or the negatives of these words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement. We caution readers not to place undue reliance on any such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes will likely vary materially from those indicated.

**1) Name of the issuer and its predecessors (if any)**

Turbodyne Technologies, Inc.

**2) Address of the issuer’s principal executive offices**

Company Headquarters

250 West 57<sup>th</sup> Street

Suite 2328

New York, NY 10107

Phone: 646-308-1503

Email: [info@turbodyne.net](mailto:info@turbodyne.net)

Website(s): [www.turbodyne.net](http://www.turbodyne.net)

IR Contact

None.

**3) Security Information**

Trading Symbol: TRBD

Exact title and class of securities outstanding:

As of May 11, 2015:

**Common Stock**

CUSIP: 899905-10-3

Par or Stated Value: \$.001

Total shares authorized: 5,000,000,000

Total shares outstanding: 1,771,441,088

We have never paid cash dividends on the common stock and because of substantial deficit may not legally do so. Cash dividends are not expected to be paid on our common stock in the foreseeable future. Assuming we could eliminate the deficit, any future determination to declare or pay dividends will be at the discretion of the board of directors and will be dependent on our results of operations, financial condition, contractual and legal restrictions and other factors deemed relevant by the board of directors.

**Preferred Stock**

Par or Stated Value:	\$ .001
Total shares authorized:	1,000,000
Total shares outstanding:	12,675

Transfer Agent

Transfer Online, Inc.  
512 SE Salmon St.  
Portland, OR 97214  
Phone: 503-227-2950

Is the Transfer Agent registered under the Exchange Act?\*      Yes: ☒      No: ☐

List any restrictions on the transfer of security:

None.

Describe any trading suspension orders issued by the SEC in the past 12 months.

None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On March 20, 2015 the Company received majority shareholder approval from 54.8% of its shareholders to increase the number of shares of common stock the Company is authorized to issue to 5,000,000,000. On April 9, 2015 the Company amended its certificate of incorporation to reflect an increase the number of shares the Company is authorized to issue to 5,000,000,000.

**4) Issuance History**

During the three month period ending March 31, 2015 the Company did not issue any securities.

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5) Financial Statements

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INTERIM FINANCIAL REPORT

For the three month period ended March 31, 2015



Turbodyne Technologies, Inc.

Nevada

250 West 57<sup>th</sup> Street  
Suite 2328  
New York, NY

10107

(State or other jurisdiction of incorporation)

(Address of principal executive offices)

(Zip Code)

646-308-1503

[info@turbodyne.net](mailto:info@turbodyne.net)

[www.turbodyne.net](http://www.turbodyne.net)

(Phone)

(Email)

(Website)

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**Turbodyne Technologies, Inc.**  
Interim Consolidated Balance Sheets

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 2,535	\$ 21,142
Total current assets	2,535	21,142
Property and equipment, net of accumulated depreciation of \$72,757 and \$72,640	1,059	1,176
Total assets	<u>\$ 3,594</u>	<u>\$ 22,318</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current		
Accounts payable	\$ 682,233	\$ 682,232
Accounts payable related party	485,205	441,325
Accrued liabilities	941,450	905,680
Short-term convertible debt, net of unamortized discount of \$nil and \$nil	—	175,000
Short-term convertible debt related party, net of unamortized discount of \$nil and \$1,672	—	933,089
Derivative liability	311,378	204,544
Current portion of deferred licensing fee	22,224	22,224
Total current liabilities	2,442,490	3,364,094
Long-term convertible debt, net of unamortized discount of \$13,945 and \$15,269	391,055	213,061
Long-term convertible debt related party, net of unamortized discount of \$nil and \$nil	933,089	—
Deferred licensing fee	113,706	119,262
Reserve for lawsuits	500,000	500,000
Total liabilities	4,380,340	4,196,417
Contingencies and commitments		
Stockholders' Deficit		
Preferred Stock, \$0.001 par value, 1,000,000 shares authorized, 12,675 shares issued and outstanding at March 31, 2015 and December 31, 2014	12	12
Common Stock, \$0.001 par value, 1,000,000,000 shares authorized, 1,000,000,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	1,000,000	1,000,000
Additional paid-in capital	128,669,122	128,669,122
Other comprehensive income – foreign exchange translation gain	35,119	35,119
Treasury stock, at cost – 5,278,580 common shares	(1,963,612)	(1,963,612)
Accumulated deficit	(132,117,387)	(131,914,740)
Total stockholders' deficit	(4,376,746)	(4,174,099)
Total liabilities and stockholders' deficit	<u>\$ 3,594</u>	<u>\$ 22,318</u>

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

**Turbodyne Technologies, Inc.**  
Interim Consolidated Statements of Operations

	Three months Ended March 31, 2015	Three months Ended March 31, 2014
Expenses		
Selling, general and administrative expenses	\$ 72,644	\$ 64,301
Depreciation and amortization	117	463
Total Expenses	<u>75,761</u>	<u>64,764</u>
Loss from operations	(75,761)	(64,764)
Other income (expenses)		
Licensing fees	5,556	5,556
Interest expense	(25,608)	(44,974)
Gain (loss) on change in fair value of derivative	(107,321)	(99,589)
Gain on settlement of derivatives	487	645
Net income (loss)	<u>\$ (202,647)</u>	<u>\$ (203,126)</u>
Earnings (Loss) per share – basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Basic weighted average common shares outstanding	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Diluted weighted average common shares outstanding	<u>1,000,000,000</u>	<u>1,000,000,000</u>

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

**Turbodyne Technologies, Inc.**  
Interim Consolidated Statements of Cash Flows

	Three months Ended March 31, 2015	Three months Ended March 31, 2014
Operating Activities		
Net income (loss)	\$ (202,647)	\$ (203,126)
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	117	463
Amortization of convertible note discounts and warrants	2,996	26,324
Gain on change in fair value of derivative	107,321	99,589
Gain on settlement of derivatives	(487)	(645)
Changes in operating assets and liabilities:		
Accounts payable	–	676
Accounts payable – related parties	43,880	32,410
Deferred income	(5,556)	(5,556)
Accrued expenses	35,769	25,263
Net Cash Used in Operating Activities	(18,607)	(24,602)
Financing Activities		
Proceeds from issuance of convertible debt	–	25,000
Net Cash Provided by Financing Activities	–	25,000
Net Change in Cash	(18,607)	398
Cash and cash equivalents – beginning of period	21,142	9,993
Cash and cash equivalents – end of period	\$ 2,535	\$ 10,391
Supplemental Disclosures:		
Interest paid	\$ –	\$ –
Income taxes paid	\$ –	\$ –
Non-Cash Transactions:		
Debt discounts due to derivative liabilities	\$ –	\$ 3,125

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

**Turbodyne Technologies, Inc.**  
Notes to Interim Consolidated Financial Statements

**1. Summary of Significant Accounting Policies**

a) Nature of Business

Turbodyne Technologies, Inc., a Nevada corporation, and its subsidiaries (collectively, the "Company") engineer, develop and market products designed to enhance performance and reduce emissions of internal combustion engines.

b) Going Concern

The accompanying interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered net operating losses in recent periods, is subject to lawsuit settlements and has a working capital deficit of \$2,439,955 at March 31, 2015. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's operations have been financed principally through a combination of private and public sales of equity and debt securities. If the Company is unable to raise equity capital or generate revenue to meet its working capital needs, it may have to cease operating and seek relief and protection under appropriate legal statutes. These interim consolidated financial statements have been prepared on the basis that the Company will be able to continue as a going concern and realize its assets and satisfy its liabilities and commitments in the normal course of business and do not reflect any adjustment which would be necessary if the Company is unable to continue as a going concern.

c) Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2014, included in the Company's Annual Report filed on March 31, 2015.

The consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position at March 31, 2015, and the results of its operations and cash flows for the three months ended March 31, 2015 and 2014. The results of operations for the three months ended March 31, 2015, are not necessarily indicative of the results to be expected for future quarters or the full year.

d) Principles of Consolidation

The accompanying consolidated financial statements, stated in United States dollars, include the accounts of Turbodyne Technologies, Inc. and its wholly owned subsidiaries, Turbodyne Systems, Inc., Turbodyne Germany Ltd., Electronic Boosting Systems Inc. and Pacific Baja Light Metals Corp. ("Pacific Baja"). All intercompany accounts and transactions have been eliminated on consolidation.

e) Use of Estimates

The preparation of consolidated financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, stock-based compensation expense, income tax and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

f) Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

**2. Short Term Convertible Notes Payable**



- (a) On November 23, 2005, the Company issued a \$25,000 convertible note. The note bears interest at the rate of 5% per annum, is due and payable on November 23, 2006, and convertible into the Company's common shares at \$0.005 per share. The convertible note was issued with detachable warrants to purchase 500,000 shares of the Company's common stock at \$0.01 per share for five years.

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to \$0.002 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 *Debt – Modifications and Extinguishments* and ASC 470-60 *Troubled Debt Restructurings by Debtors* and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (b) On July 19, 2006, the Company issued a \$10,000 convertible note. The note bears interest at the rate of 5% per annum, is due and payable on July 19, 2007, and convertible into the Company's common shares at \$0.005 per share. The convertible note was issued with detachable warrants to purchase 200,000 shares of the Company's common stock at \$0.01 per share for five years.

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to \$0.002 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (c) On May 26, 2006, the Company issued a \$30,000 convertible note. The note bears interest at the rate of 5% per annum, is due and payable on October 31, 2007, and convertible into the Company's common shares at \$0.005 per share. The convertible note was issued with detachable warrants to purchase 600,000 shares of the Company's common stock at \$0.01 per share for five years.

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to \$0.0025 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (d) On October 17, 2012, the Company issued a \$25,000 convertible note. The note bears interest at 12% per annum, matures on the later of October 17, 2014 or two years from the date the Company completes its filing requirements. The note is convertible into common shares of the Company at \$0.004 per share.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increase the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (e) On January 23, 2013, the Company issued a \$15,000 convertible note. The note bears interest at 12% per annum, matures on the later of January 23, 2015 or two years from the date the Company completes its filing requirements. The note is convertible into common shares of the Company at \$0.004 per share. The fair value of the conversion feature was determined to be \$1,125 using a Black-Scholes option-pricing model. Upon the issuance date \$1,125 was recorded as debt discount. As of March 31, 2015, the aggregate unamortized discount is \$Nil (December 31, 2014 - \$47).

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it

was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (f) On April 18, 2013, the Company issued a \$75,000 convertible note. The note bears interest at 12% per annum, matures on the later of October 18, 2013 or six months from the date the Company completes its filing requirements. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (g) On August 5, 2013, the Company issued a \$25,000 convertible note. The note bears interest at 12% per annum, matures on the later of February 5, 2014 or six months from the date the Company completes its filing requirements. The note convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (h) On October 15 2013, the Company issued a \$10,000 convertible note. The note bears interest at 12% per annum, matures on the later of April 15, 2014 or six months from the date the Company completes its filing requirements. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (i) On November 21, 2013, the Company issued a \$25,000 convertible note and a \$15,000 convertible note. The notes bear interest at 12% per annum and mature on the later of November 21, 2015 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The notes are convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion features was determined to be \$12,000 using a Black-Scholes option-pricing model. Upon the issuance dates \$12,000 was recorded as debt discount. As of March 31, 2015, the aggregate unamortized discount is \$3,702 (December 31, 2014 - \$5,000).

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the \$25,000 note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (j) On January 30, 2014, the Company issued a \$10,000 convertible note. The note bears interest at 12% per annum, matures on the later of January 30, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The note is

convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion feature was determined to be \$1,250 using a Black-Scholes option-pricing model. Upon the issuance date of the \$1,250 was recorded as debt discount. As of March 31, 2015, the aggregate unamortized discount is \$574 (December 31, 2014 \$695.)

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (k) On March 20, 2014, the Company issued a \$15,000 convertible note. The note bears interest at 12% per annum, matures on the later of March 20, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion feature was determined to be \$1,875 using a Black-Scholes option-pricing model. Upon the issuance date of the \$1,875 was recorded as debt discount. As of March 31, 2015, the aggregate unamortized discount is \$982 (December 31, 2014 - \$1,168).

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (l) On June 6, 2014, the Company issued a \$25,000 convertible note. The note bears interest at 12% per annum, matures on the later of June 6, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion feature was determined to be \$3,750 using a Black-Scholes option-pricing model. Upon the issuance date the \$3,750 was recorded as debt discounts. As of March 31, 2015, the aggregate unamortized discount is \$2,360 (December 31, 2014 - \$2,738).

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (m) On June 16, 2014, the Company issued a \$15,000 convertible note. The note bears interest at 12% per annum, matures on the later of June 16, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion feature was determined to be \$2,250 using a Black-Scholes option-pricing model. Upon the issuance date of the \$2,250 was recorded as debt discounts. As of March 31, 2015, the aggregate unamortized discount is \$1,403 (December 31, 2014 - \$1,672).

- (n) On September 10, 2014, the Company issued a \$20,000 convertible note and a \$15,000 convertible note. The notes bear interest at 12% per annum, mature on the later of September 10, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of

common stock. The notes are convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion features was determined to be \$2,000 and \$1,500 using a Black-Scholes option-pricing model. Upon the issuance date of the \$2,000 and \$1,500 were recorded as debt discounts. As of March 31, 2015, the aggregate unamortized discount is \$2,590 (December 31, 2014 - \$2,982).

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the \$20,000 note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (o) On October 2, 2014, the Company issued a \$10,000 convertible note. The note bears interest at 12% per annum, matures on the later of October 2, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion feature was determined to be \$750 using a Black-Scholes option-pricing model. Upon the issuance date of the \$750 was recorded as debt discount. As of March 31, 2015, the aggregate unamortized discount is \$596 (December 31, 2014 - \$671).

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (p) On December 18, 2014, the Company issued a \$40,000 convertible note. The note bears interest at 12% per annum, matures on the later of December 18, 2016 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The note is convertible in minimum conversion amounts of \$10,000 into common shares of the Company at \$0.004 per share subject to adjustment.

The fair value of the conversion feature was determined to be \$2,000 using a Black-Scholes option-pricing model. Upon the issuance date of the \$2,000 was recorded as debt discount. As of March 31, 2015, the aggregate unamortized discount is \$1,738 (December 31, 2014 - \$1,966.)

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

### **3. Short Term Convertible Notes – Related Party**

- (a) On June 15, 2006, the Company issued a \$15,000 convertible note to ICMC Holdings LLC, a company controlled by Jason Meyers. The note bears interest at the rate of 5% per annum, is due and payable on June 15, 2007, and convertible into the Company's common shares at the lower of 70% of the previous day's market price (to a minimum of \$0.003) or \$0.025 per share.

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to \$0.003 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and

that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (b) On January 17, 2007 and February 1, 2007, the Company issued convertible notes of \$15,000 and \$16,000, respectively to Aspatuck Holdings Ltd. The notes bear interest at a rate of 5% per annum, are due and payable one year following issuance, and convertible into the Company's common shares at convertible into the Company's common shares at the lower of 70% of the previous day's market price (to a minimum of \$0.003) or \$0.025 per share. The convertible notes were issued with detachable warrants to purchase 620,000 shares of the Company's common stock at \$0.025 per share for five years.

In December 2009, the notes were modified to reduce the conversion price from the provision discussed above to a set amount of \$0.005 per share. During the year ended December 31, 2011, the Company repaid \$9,338 of the notes and \$7,648 of interest. As a result at December 31, 2013, the outstanding principal amount of the notes was reduced to \$10,222 and \$11,440.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity dates of the notes to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (c) On June 1, 2009, the Company issued a \$50,000 convertible note to Mr. Robert Roche. Mr. Roche became a related party upon the conversion of debt into common shares exceeding 10% of the total shares outstanding on November 10, 2011. The note bears interest at the rate of 12% per annum, is due and payable on June 1, 2011, and convertible into the Company's common shares at \$0.01 per share. The convertible note was issued with detachable warrants to purchase 1,000,000 shares of the Company's common stock at \$0.01 per share for five years.

On November 10, 2011, the Company amended the convertible note and warrants. Pursuant to the amendment, the conversion price of the note was reduced from \$0.01 to \$0.0005 and the exercise price of the warrant was reduced from \$0.01 to \$0.005. On November 10, 2011, the Company issued 111,904,471 common shares upon the conversion of \$50,000 of the convertible note and \$5,952 of interest at \$0.0005 per share (additional accrued interest of \$9,025 was forgiven). As of December 31, 2013, the Company owes the related party 18,528,862 shares of common stock as the result of the amendment but could not issue the shares as it has insufficient authorized shares. The then-unamortized discount was written off on the conversion date.

On October 16, 2013, the Company entered into an amendment with the note holder. Pursuant to the amendment, the noteholder agreed to waive the 17,528,862 additional shares issuable upon the conversion of the note plus the 1,000,000 shares issuable by the Company in connection with the warrant exercise and additionally return to the Company 32,471,138 of the Company's common shares held by the note holder. The amendment becomes effective at the time that the Company amends its certificate of incorporation effecting a reverse split.

- (d) On December 31, 2011, issued a convertible note to Aspatuck Holdings having a face value of \$652,267 in satisfaction of consulting fees owed to it. Aspatuck Holdings is obligated to provide the services of Jason Meyers to the Company. The note bears interest at 5% per annum and is due on December 31, 2014. The noteholder can convert the note and interest into common shares of the Company at \$0.001.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

- (e) On December 31, 2011, issued a convertible note to Debi Kokinos, the Company's chief financial officer, having a face value of \$244,160 in satisfaction of consulting fees owed to her. The loan bears interest at 5% per annum and is due on December 31, 2014. The noteholder can convert the note and interest into common shares of the Company at \$0.001.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes

an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

The Company evaluated the modification under the guidance found in ASC 470-50 and ASC 470-60 and determined that the carrying value of the note did not exceed the total future cash payments and that the notes were not substantially different. As a result, it was concluded that the revised terms constituted a debt modification rather than a debt extinguishment and no gain or loss was recorded.

#### 4. Derivative Liability

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities:

Balance at December 31, 2014	\$	204,544
Change in fair value of conversion features		105,325
Change in fair value of warrants		476
Change in fair value of options		1,387
Change in fair value of shares issuable		133
Fair value of warrants settled		(487)
Balance at March 31, 2015	\$	311,378

#### 5. Share Capital

##### a) Authorized Capital

At the Annual General Meeting held on June 30, 2004, the shareholders approved an increase of authorized capital to 1,000,000,000 common shares. On March 20, 2015 the Company received majority shareholder approval from 54.8% of its shareholders to increase the number of shares of common stock the Company is authorized to issue to 5,000,000,000 shares. Refer to Note 10(a).

##### b) Preferred Shares

- i) The Company has 1,000,000 preferred shares authorized with a par value of \$0.001.
- ii) In 2003, 150,000 of the 1,000,000 preferred shares were designated as Series X preferred shares. The Series X preferred shares have a par value of \$0.001 per share, do not have voting rights, and holders are entitled to receive dividends pro-rata with the issued and outstanding shares of the Company's common stock on an if converted basis when and if dividends are declared on the outstanding shares of the Company's common stock. The Series X preferred shares are each convertible into 100 common shares at the discretion of the holder. As of March 31, 2015 and December 31, 2014, 12,675 of Series X preferred shares convertible into 1,267,500 common shares are outstanding.

##### c) Common Shares

- i) During 2002, in addition to 378,580 common shares acquired under the 1998 Share Buy-Back Plan, the Company entered into an agreement to acquire from a director for cancellation, 3,500,000 common shares for \$152,078. The Company paid \$152,078 in connection with the acquisition of the 3,500,000 common shares and has recorded amounts paid as a charge to Treasury shares. The related common shares have not yet been received or cancelled.
- ii) At March 31, 2015, the Company owed 1,333,333 common shares to the co-CEO of the Company in consideration for services during fiscal 2010 with a fair value of \$10,588 based on vesting date market prices from \$0.0019 to \$0.013 per share.

#### 6. Stock Options

At March 31, 2015 and December 31, 2014, all options outstanding were held by the President of the Company and the Company's Chief Financial Officer.

The determination of fair value of share-based payment awards to employees, directors and non-employees on the date of grant using the Black-Scholes model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Management has used historical data to estimate forfeitures. The risk-free rate is based on U.S. Treasury rates in effect during the corresponding period of grant. The expected volatility is based on the historical volatility of the Company's stock price.

A summary of the Company's stock option activity is as follows:

Number of Options	Weighted Average Exercise	Weighted Average Remaining	Aggregate Intrinsic Value
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		Price	Contractual Term	
Exercisable, December 31, 2014	13,866,666	\$ 0.012	1.08	\$ —
Expired	—	—		
Exercisable, March 31, 2015	13,866,666	\$ 0.012	0.84	\$ —

As at March 31, 2015, there were no non-vested options and no unrecognized compensation cost related to non-vested stock option agreements.

## 7. Warrants

All outstanding share purchase warrants were issued pursuant to financing arrangements. A summary of the changes in the Company's common share purchase warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2014	3,761,109	\$ 0.007	0.94	\$ —
Expired	(1,291,667)	\$ 0.009		
Outstanding, March 31, 2015	2,469,442	\$ 0.0054	1.09	\$ —

As at March 31, 2015, the following common share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Remaining Contractual Life (years)
869,442	\$0.0117	0.08 – 0.92
1,600,000	\$0.002	1.41 – 1.54
<u>2,469,442</u>		

## 8. Commitments

### Litigation

#### (a) Pacific Baja Bankruptcy

In July 1999, a major creditor of the Company's wholly-owned major subsidiary, Pacific Baja, began collection activities against Pacific Baja which threatened Pacific Baja's banking relationship with, and source of financing from, Wells Fargo Bank. As a result, Pacific Baja and its subsidiaries commenced Chapter 11 bankruptcy proceedings on September 30, 1999.

In September 2001, the Pacific Baja Liquidating Trust (the "Trust") commenced action against us in the aforesaid Bankruptcy Court. The Trust was established under the Pacific Baja bankruptcy proceedings for the benefit of the unsecured creditors of Pacific Baja.

The Company vigorously contested the Complaint until April 22, 2005 when the Company entered into a stipulation for entry of judgment and assignment in the Pacific Baja bankruptcy proceedings for \$500,000 to be issued in common stock or cash or a combination. Additionally the Company assigned to the bankruptcy Trust the rights to \$9,500,000 claims under any applicable directors and officers liability insurance policies. The bankruptcy Trust also agreed to a covenant not to execute against the Company regardless of the outcome of the insurance claims.

The Company has completed the assignment of its insurance claims, but has not completed the cash/stock payment that was to be paid to the Trust by December 9, 2005.

#### (b) Other

The Company is currently involved in various collection claims and other legal actions. It is not possible at this time to predict the outcome of the legal actions.

## 9. Related Party Transactions

- (a) The Company owes Aspatuck Holdings Ltd. and ICMC Holdings LLC, two entities affiliated with Jason Meyers aggregate notes payable of \$688,929 (December 31, 2014 - \$688,929) plus related accrued interest expense of \$116,107 at March 31, 2015 (December 31, 2014 - \$107,495). Refer to Note 3(a), 3(b) and 3(d). As March 31, 2015 the Company also owed Aspatuck Holdings Ltd consulting fees of \$241,035 (December 31, 2014 - \$216,535) included in accounts payable related party in the balance sheet, for the services of

Jason Meyers. The Company has included \$30,000 of consulting compensation in the general and administrative expense for the three months ended March 31, 2015 and 2014.

- (b) As of March 31, 2015, the Company owed Debi Kokinos, CFO consulting fees of \$244,170 (December 31, 2014 - \$224,790) which were included in accounts payable related party. During the year ended December 31, 2011, the Company secured \$244,160 of amounts payable through the issuance of the convertible note described in Note 3(e). At March 31, 2015, the Company owed Debi Kokinos the note payable of \$244,160 and accrued interest of \$39,676 (December 31, 2014 - \$36,624). The Company has included \$19,380 of consulting compensation in the general and administrative expense for the three months ended March 31, 2015 and 2014.
- (c) On November 10, 2011, the Company amended a convertible note held by Mr. Robert Roche having a face amount of \$50,000 and warrants to purchase 1,000,000 shares of common stock at \$0.01 per share. Pursuant to the amendment, the conversion price of the note was reduced from \$0.01 to \$0.0005 and the exercise price of the warrants was reduced from \$0.01 to \$0.005. A total of 130,433,333 shares were issuable by the Company to Mr. Roche as a result of the amendment, conversion and warrant exercise. The Company issued 111,904,471 common shares in connection with the amendment and conversion of the note and interest related to the note. Mr. Roche became a related party upon the issuance of these common shares which exceeded 10% of the total shares outstanding on November 10, 2011. As a result, the Company had issued the maximum number of authorized common shares. On October 16, 2013, the Company entered into an amendment with Mr. Roche. Pursuant to the amendment, the noteholder agreed to waive the 17,528,862 additional shares issuable upon the conversion of the note plus the 1,000,000 shares issuable by the Company in connection with the warrant exercise and additionally return to the Company 32,471,138 of the Company's common shares held by the note holder. The amendment becomes effective at the time that the Company amends its certificate of incorporation effecting a reverse split.

#### **10. Subsequent Events**

- (a) On April 9, 2015 the Company amended its certificate of incorporation to reflect an increase in the number of shares of common stock the Company is authorized to issue to 5,000,000,000.
- (b) As of April 15, 2015 the company was indebted to Aspatuck Holdings Ltd. ("Aspatuck") and ICMC Holdings LLC ("ICMC"), two affiliates of Jason Meyers, an aggregate of convertible notes totaling \$804,311 including accrued interest. On April 13, 2015, Aspatuck transferred to ICMC, \$433,311 including accrued interest in satisfaction of indebtedness of Aspatuck to ICMC. As the result ICMC held convertible notes totaling \$454,936 including accrued interest.
- (c) On April 15, 2015 ICMC converted \$454,936 (including accrued interest) of the convertible notes into 422,066,088 shares of restricted common stock at the conversion price of \$0.001078. On April 21, 2015 ICMC distributed to its members, all of these shares and is not a shareholder of the company.
- (d) On April 15, 2015 Aspatuck converted \$349,375 (including accrued interest) of the convertible notes into 349,375,000 shares of restricted common stock at the conversion price of \$0.001. After the conversion, Jason Meyers, was the beneficial owner of 415,724,245 shares of common stock or 23.47% of the total shares of common stock outstanding. As the result of the conversion of the convertible notes, the company eliminated a total of \$804,311 in liabilities and issued a total of 771,441,088 of restricted common stock. As of April 21, 2015, the company has 1,771,441,088 shares of common stock outstanding.
- (e) On April 15, 2015 we received total proceeds of \$12,500 in connection with the sale of 12% two year convertible notes. The sale of the notes were exempt from registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Section 4(2) thereof. The principal and interest of the notes are convertible into shares of common stock at \$.004 per share.
- (f) On May 5, 2015 we received total proceeds of \$20,000 in connection with the sale of 12% two year convertible notes. The sale of the notes were exempt from registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Section 4(2) thereof. The principal and interest of the notes are convertible into shares of common stock at \$.004 per share.



## 6) Describe the Issuer's Business, Products and Services

We were incorporated under the laws of British Columbia, Canada in 1983. We reincorporated under the laws of the State of Delaware in 1998. We reincorporated under the laws of the State of Nevada in August 2002. **See "Risk Factors - Possible Voidable Reincorporation".**

We are classified pursuant to SIC: 3714 - MOTOR VEHICLE PARTS & ACCESSORIES

Our fiscal year end is December 31.

As used in this annual report, the terms "we", "us", "our", "Turbodyne" and "our Company" mean Turbodyne Technologies, Inc. and its subsidiaries, unless otherwise indicated.

We are a developer electrically powered, digitally controlled air-charging systems that improve the performance of gas and diesel internal combustion engines. Our patented designs reduce CO2 emissions, improve performance and enable downsizing of gas and diesel internal combustion engines.

Optimum performance of an internal combustion engine requires a proper ratio of fuel to air. Power available from the engine is reduced when a portion of the fuel is not used. In a wide range of gas and diesel engines additional air is needed to optimize combustion. Traditional turbochargers and superchargers use parasitic exhaust gas, belt and gear driven inertia to supply additional air to an engine. Turbodyne's technology, instead, uses electric motors and digital controllers to supply additional air independent of the engine. Because an electric motor can be engaged more quickly, compared to the mechanical delays inherent in a belt or exhaust gas device, Turbodyne's technology reduces 'turbo lag' and optimizes the combustion of gas and diesel engines used in automotive, heavy vehicle, marine, and other internal combustion installations.

The Company is currently negotiating the purchase of additional patents. We continued the advancement of the design and development of new products. We are also in the advanced stages of negotiating an engineering partner to complete the development of new products. There is no assurance we will be able to obtain sufficient financing to continue meaningful development. Our ability to complete commercialization of our products remains subject to our ability to obtain additional financing.

We are also working with patent counsel to continue to examine our intellectual property and work toward the completion of a patent infringement analysis.

### **INDUSTRY BACKGROUND - MARKET DEMAND FOR CHARGING TECHNOLOGY FOR INTERNAL COMBUSTION ENGINES**

Turbodyne's management believes that the market demand for improved internal combustion engine performance will continue. While many factors contribute to demands for improved engine performance, we believe the key factors are:

- Turbocharged gasoline engines are an advantageous alternative to larger displacement gasoline engines; they currently represent only a small percentage of the power plants in passenger cars because of turbo-lag;
- Worldwide, turbocharged diesel engines will continue to represent a large share of the power plants in passenger cars, trucks, boats, and other vehicles;
- The automobile industry is pursuing downsizing of gasoline and diesel engines to improve engine efficiency and fuel economy, as well as to reduce cost, weight, size, and pollution. Although the drop in engine torque and power associated with smaller engines can be prevented by charging the downsized engine, it must be accomplished without turbo lag to be successful;
- The passenger car industry appears committed to resolving the turbo lag problem and to the best of our knowledge our air charging technology is currently a practical and effective solution to the problem; and
- New more stringent emissions standards requiring reduced levels of emissions during periods of engine acceleration are being introduced throughout the world. (Such as "EPA Tier 2" and Euro 5&6 for 2009 and later.) Our technology helps engine manufacturers comply with the new requirements without having to make their engines less responsive.

- On August 28, 2012 the Obama Administration announced final regulations that will force automakers to nearly double the average fuel economy of all new cars and trucks they sell by 2025. A copy of the final rule, as entered into the Federal Register can be found by cutting and pasting the following link;

<http://www.nhtsa.gov/About+NHTSA/Press+Releases/2012/Obama+Administration+Finalizes+Historic+54.5+mpg+Fuel+Efficiency+Standards>

## MARKET OPPORTUNITY

According to a January, 2013 study of the turbocharger market by Markets and Markets, the global automotive turbocharger market volume is expected to grow from 24 million units in 2013 representing approximately \$7.7 billion in wholesale to 39.45 million units representing approximately \$12.63 billion in wholesale by 2017. This represents a 60.8% increase in 4 years. Subsequent studies have shown that actual results have exceeded growth expectations. In the year 2012, Europe accounted for nearly half of automotive turbocharger market volume followed by Asia-Pacific and North America.

The expected growth in sales of air charging technology products is driven by a wave of engine downsizing designed to achieve fuel economy, power output and reduced emissions as a result of tougher regulations. The Company believes that if it executes its licensing strategy, a significant portion of all air charging units sold globally by the year 2017, could be equipped with digitally controlled, electrically powered components. There can be no assurance that similar products that compete with ours will not emerge. **See "Risk Factors"**.

On August 28, 2012 the Obama Administration announced final regulations that will force automakers to nearly double the average fuel economy of all new cars and trucks they sell by 2025. A copy of the final rule, as entered into the Federal Register can be found by clicking the following link;

<http://www.nhtsa.gov/About+NHTSA/Press+Releases/2012/Obama+Administration+Finalizes+Historic+54.5+mpg+Fuel+Efficiency+Standards>

These market conditions represent a significant opportunity to design and engineer the development of the core technology for the automotive industry that will eliminate turbolag in turbocharged engines, increase power and performance, reduce the pollution of non-turbocharged engines, and facilitate further downsizing of internal combustion engines and the use of hybrid engines.

## TURBODYNE PROPRIETARY TECHNOLOGY

The history of using exhaust gas or belt driven air blowers to enhance internal combustion engine performance has been used for approximately 100 years. In both the exhaust gas ("turbocharger") and belt or chain driven ("supercharger") air blowers, the performance of the blower is directly related to the operating speed of the engine (such as `revolutions per minute'). The technologies were developed in airplane applications where the engine is usually run at a higher constant operating speed, and then moved on to other vehicle applications (most using turbochargers). In supercharger installations the energy losses at low engine operating speeds hinders performance. Turbolag occurs when the operator demand for a higher operating speed requires more air than the un-pressurized air stream of the air intake produces until the turbocharger increases the air intake pressure by blowing a higher volume of air into the engine. Until the operating speed of the engine increases turbochargers don't have power to blow substantially more air. For traditionally turbocharged engines, turbolag, normally measured in seconds, limits the vehicle's power and performance.

Our products use an electric motor to blow useful amounts of air into an engine during the period when the turbocharger does not have enough exhaust gas to spin the turbine and compress all the air required for optimal engine acceleration performance. The improvement in `take-off' (initial acceleration) is a direct result of combustion optimization during the initial RPM cycle using our technology.

The TurboFlow™ technology is a digitally controlled, variable high pressure, high volume air movement controller contained in a small, lightweight unit for a variety of internal combustion engine air flow control applications. The TurboFlow™ governs data integration and controls the operating profile of engine applications using our air charging technology.

## BUSINESS STRATEGY

We are currently in advanced negotiations with an independent engineering firm to complete the development of our products and prepare to schedule mass production. We plan to schedule initial production of our products through contracting manufacturers and suppliers of the components used in our products. We have identified a number of manufacturing sources who specialize in fabricating certain components used in our products and plan to enter into agreements during the engineering process.

Our design and engineering process will integrate material requirements planning early on to insure cost effective manufacturability and minimize time to market. There can be no assurance that suppliers will integrate into our manufacturing process. Suppliers will modify certain components to meet our specifications and ship to the final assembly facility. This strategy eliminates the need for capital investment into a manufacturing facility for initial production.

We plan to target three market segments;

- *The Automotive Original Equipment Manufacturer (OEM) Market* – The OEM market is undergoing a downsizing phase for gas and diesel power plants for passenger cars and trucks in response to new regulations. The priority for performance enhancement features of smaller displacement engines is high. The focus is on power output, fuel economy and low emissions. This segment represents the largest opportunity for our products. The Company intends to penetrate this market segment through the negotiation of licensing agreements and other strategic arrangements with Tier 1 automotive suppliers and Original Equipment Manufacturers.
- *Corporate and Municipal Fleet Aftermarket* – Retrofits of diesel fleet applications such as city buses, school buses, waste hauling, construction and delivery vehicles represent the second largest opportunity for our products. The Company intends to penetrate this market segment by marketing through a combination of direct marketing to fleet owners, diesel trade associations, and retail diesel parts suppliers and through the negotiation of licensing agreements with Tier 1 automotive suppliers.
- *Automotive High Performance Aftermarket* – High performance enthusiasts spend a significant portion of their disposable income modifying the engines of their vehicles. The Company intends to penetrate this market segment through a combination of direct consumer marketing and sales through “tuner shops” and aftermarket auto supply distributors. Social media will play a large role in our marketing strategy for this segment.

We have estimated that our business plan will require a total investment of a minimum of \$20 million. There can be no assurance that we will successfully execute our business strategy as it will require substantial additional financing to consummate. **See “Risk Factors”.**

## INTELLECTUAL PROPERTY

The Company currently has 9 patents covering the Turbopac™ product and an additional 16 patents covering the DynaCharger™ product. Our patents are issued in the United States, Europe, Asia and South America and additional patents filed in 2008 that cover the TurboFlow™ digital controller are pending in these countries.

Certain patents that cover the DynaCharger™ were the subject of a licensing agreement with Honeywell International Inc. which was terminated pursuant to a settlement agreement entered into on January 23, 2004. We retained certain rights to the patents that cover the DynaCharger™ pursuant to the settlement agreement which are confined to an inactive license agreement with a third party.

We are in the advanced stages of negotiating the acquisition of additional patents.

## PROPRIETARY INFORMATION AGREEMENTS

It is our policy to require all of our employees, consultants and persons or companies involved in testing our products to execute confidentiality agreements with respect to all proprietary information regarding our products.

## RESEARCH AND DEVELOPMENT

The Company did not incur any research and development costs for the period ending March 31, 2015 due to a lack of sufficient funding. Our research and development costs will be charged to operations in the period incurred and will relate to the development of our products.

## **GOVERNMENT REGULATION**

In the United States, emissions standards for diesel and gasoline engines are imposed by the Environmental Protection Agency ("EPA") and other regulatory agencies, including the California Air Resources Board. In Europe, the Euro 5 and 6 emissions standards have come into full effect in 2014. The presence of these government regulations has the potential to create demand for our products as our products are designed to increase engine performance with resulting reductions in emissions. We must continue to design and develop products that help mitigate failures to meet worldwide vehicle emissions standards that are imposed by regulatory agencies. Testing to ensure our products help meet these government regulations will be an integral component of our research and development expense on new products.

On August 28, 2012 the Obama Administration announced final regulations that will force automakers to nearly double the average fuel economy of all new cars and trucks they sell by 2025. A copy of the final rule, as entered into the Federal Register can be found by clicking the following link;

<http://www.nhtsa.gov/About+NHTSA/Press+Releases/2012/Obama+Administration+Finalizes+Historic+54.5+mpg+Fuel+Efficiency+Standards>

We believe that our technology will benefit from the new Corporate Average Fuel Economy standards under these new regulations.

## **LEGAL PROCEEDINGS**

We are not party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

We are a party to the following settlement agreement which was entered as a judgment.

## **PACIFIC BAJA LIQUIDATING TRUST**

In September 1999, Pacific Baja Light Metals Corporation, our former, wholly-owned subsidiary, filed a Chapter 11 petition in bankruptcy in the United States Bankruptcy Court, Central District of California (Case No. RS99-26477MG) in Riverside, California. ("Bankruptcy Proceeding") In September 2001, the Pacific Baja Liquidating Trust (the "Trust") commenced action against us in the aforesaid Bankruptcy Court. The Trust was established under the Pacific Baja bankruptcy proceedings for the benefit of the unsecured creditors of Pacific Baja. The Trust was seeking, among other matters the re-characterization of Company advances to Pacific Baja as equity and the subordination of unsecured claims against Pacific Baja; the re-conveyance of an aggregate of up to approximately \$7,190,000 transferred by Pacific Baja to the Company on the basis of an allegation of fraudulent transfer; an order that the Company is liable for all of the previous debts of Pacific Baja totaling approximately \$7,000,000; and damages and punitive damages against the Company and certain former officers and directors and the former officers and directors of Pacific Baja in the amount of up to approximately \$12,000,000 based on various allegations of fraud, misrepresentation, breach of contract, alter ego and negligence. The Company settled the bankruptcy proceedings for \$500,000 to be issued in common stock or cash or a combination of both. Additionally the Company assigned to the Bankruptcy Trust the rights to \$9,500,000 claims under any applicable directors' and officers' liability insurance policies. The Bankruptcy Trust also agreed to a covenant not to execute against the Company regardless of the outcome of the insurance claims. The Company has completed the assignment of its insurance claims, but has not completed the cash/stock payment that was to be paid to the Trust by December 9, 2005.

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## **RISK FACTORS**

We have identified the following material risks in executing our business plan and achieving revenues. They are not the only risks we face. We also face the risks identified elsewhere in this Annual Report, including those risks identified under "Legal Proceedings" If any of these risks occur, our business and our operating results and financial condition could be seriously harmed and we may not be able to commence business operations as a going concern.

### ***THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN***

Our consolidated financial statements included with this Interim Report have been prepared assuming that we will continue as a going concern. We have suffered net losses in recent periods resulting in an accumulated deficit of \$132,117,387 at March 31, 2015, have used cash in our operating activities in recent periods, have disposed of our most significant subsidiary through bankruptcy, are subject to lawsuits brought against us by shareholders and other parties, and based on our projected cash flows for the ensuing year, we must seek additional equity or debt financing in order to continue our present operations. These matters raise substantial doubt about our ability to continue as a going concern.

### ***FINANCIAL HISTORY PROBLEMS***

We anticipate difficulties arising from our adverse financial history. These include substantial payables that must be paid or settled, damaged relationships and adverse publicity, and interrupted contracts. These factors may impact our ability to raise needed funds for development of our products. There is no assurance that we can overcome these difficulties.

### ***COMPANY REQUIRES ADDITIONAL FUNDING***

While we obtained limited funding in 2014, this was insufficient to resume normal operations. If we do not obtain substantial additional funding we will not be able to continue in business. We may not be able to obtain any such additional financing on favorable or acceptable terms, if at all. In September 2014 Mr. Meyers, our CEO consented to the entry of a bar from association with any FINRA member firm. Shortly thereafter FINRA was notified that Mr. Meyers rescinded the order. As a result of the bar, the Company may be disqualified from utilizing the exemption from registration of our securities afforded under Rule 506 of Regulation D promulgated by the SEC as long as he remains an officer, director or he and/or his affiliate(s) are the holders of 20% or more of the voting securities of the Company. If the Company is unable to obtain an exemption from the disqualification, it may have a substantial negative effect on the Company's ability to raise capital.

### ***NO ASSURANCE THAT A COMMERCIAL PRODUCT WILL BE DEVELOPED TIMELY IF AT ALL.***

With the exception of limited commercial production of certain Turbopac™ models several years ago, commercial products incorporating our technology are in the development stage. Historically, we have encountered delays in development due to design defects or changes in specifications and we may continue to experience problems which may prevent development of commercial precuts or technology or delay development. In addition we are experiencing difficulties in development as a result of our financial situation. These delays in turn increase the cost of development of products incorporating our technology and affect the timing of commercialization. Moreover delays increase the possibility that our products could be obsolete. Our future revenues depend on sales of products or licensing revenue incorporating our technology. Failure to timely develop any product will ultimately result in cessation of operations.

### ***POSSIBLE CHANGES IN AUTOMOBILES MAY MAKE OUR PRODUCT OBSOLETE***

There are numerous efforts to eliminate gasoline-powered, internal combustion engines. If these efforts are successful it could, in the long run, limit or eliminate the need for our products.

### ***DEPENDENCE ON KEY EXECUTIVES***

The Company will be dependent on the services of Robert H. Davies and Debi Kokinos. The Company is a party to a consulting agreement with Mr. Davies to act as our Chief Executive Officer and Chairman and is also a party to a

consulting agreement with Debi Kokinos to act as our Chief Financial Officer. If, for any reason, however, their services were not available, the Company would be severely adversely affected.

#### ***WE HAVE NO SALES AND MARKETING EXPERIENCE***

No products utilizing our technology have been commercially produced. Except for the limited sales of shop (or produced prototypes) products, we have had no sales in the last several years. The sales of prototypes have been treated as a reduction of research and development cost. We do not have dedicated sales and marketing professionals who are experienced in dealing with the relevant markets. Company personnel and agents on a part-time basis perform sales and marketing functions along with other duties. We cannot assure you that products are commercially developed that sales will be commercially successful. The failure of sales will have a material adverse effect on our business, operating results and financial condition.

#### ***OUR BUSINESS MAY BE ADVERSELY AFFECTED IF WE ARE NOT ABLE TO HIRE AND RETAIN CONSULTANTS***

All our development work as well as other services is performed pursuant to consulting arrangements. Due to a lack of sufficient funding we are only able to retain four consultants, two of which are retained on an as needed basis. There is no assurance that we will be able to obtain and retain these and additional consultants necessary to implement our business strategy successfully. This is particularly so when funds are not available to pay amounts past due under these arrangements. If we do not retain or replace qualified consultants, our ability to further develop our technology will be impaired with the result that our business will be adversely affected. In addition, our historical problems and financial position may make it more difficult to attract personnel.

#### ***WE MAY NOT BE ABLE TO DEVELOP COMMERCIALY VIABLE PRODUCT IF ULTIMATE USERS DO NOT ACCEPT OUR PRODUCTS UTILIZING OUR TECHNOLOGY***

If products are developed utilizing our technology our success is dependent upon acceptance by ultimate users in our target markets. If we or any partners are unable to convince our target market of the advantages and viability of our technology, our market potential may be severely limited or non-existent.

#### ***WE MAY EXPEND A SIGNIFICANT AMOUNT OF TIME AND RESOURCES TESTING PROGRAMS THAT MAY NOT RESULT IN ANY SALES***

We may enter into licensing or other arrangements with third parties. Developing relationships with any third party involves lengthy periods of product development and performance evaluation by the third party. During this period, we may provide certain products or services free of charge or at a reduced rate. We also devote a significant amount of time and attention to pursuing these programs in an effort to obtain arrangements to exploit commercialization for products utilizing or incorporating our technology. Third Parties that we conduct joint development work or other proposed arrangements with will be under no obligation to enter into an arrangement and after evaluation may determine not to proceed with an arrangement Accordingly, we may devote substantial time and resources to developing relationships and programs that do not result in commercialization of products incorporating our technology.

#### ***FUTURE REVENUES DEPEND ON OUR ABILITY TO OBTAIN AND ENFORCE PATENT PROTECTION FOR OUR TECHNOLOGY***

Protection of trade secrets and proprietary know how is critical to our success. If our competitors independently develop similar or superior technologies or gain access to our trade secrets, our business will be materially and adversely affected. Accordingly, we depend on continued patent protection for these products. If we are unable to maintain patent protection for our technology, we may not be able to gain a competitive advantage or protect our technology and our business will be adversely affected. Certain patents and patent applications of the Company have been irretrievably abandoned due to a lack of funding sufficient to pay patent filing and maintenance fees. We may incur substantial costs seeking to enforce our patent rights against infringement or unauthorized use. We are already aware of one or more potential infringements and have devoted resources to determine if infringement has occurred. Our trade secrets and proprietary know how are critical for us to achieve and maintain a competitive position. We cannot assure you that others may not independently develop similar or superior technologies or gain access to our trade secrets or know how.

#### ***WE MUST KEEP PACE WITH TECHNOLOGICAL CHANGE TO ACHIEVE SUCCESS***

The industries in which we compete are characterized by rapid and significant technological change. Our success depends on our ability to continually develop new technology and to refine products incorporating our original technology.

We have been pursuing commercialization of our product lines. Due to delay and the rapid pace of technological innovation in the industry, there is a risk that these products may be superseded by new technology and become obsolete. The Company is aware of potentially competitive products that can damage our ability to grow.

Our products may not be commercially accepted or we may not be able to enhance existing products or develop new products. Future technological change may render one or more of our products obsolete or uneconomical. Our ability to continue to develop and market new and improved products that can achieve significant market acceptance will determine our future sales and profitability.

### ***INTENSE COMPETITION***

The business environment in which we operate is highly competitive. Most of our competitors and potential competitors have greater financial, marketing, technological and other resources. We believe that products technologically similar to ours have been developed and sold. We will face intense competition if we introduce our products commercially.

In addition, a relatively small number of OEM's hold a significant share of the automotive market and the determination of an OEM not to incorporate our products into its product line may force us to expend additional amounts to gain market share and/or significantly reduce our potential.

### ***POTENTIAL PRODUCT LIABILITY***

The Company faces substantial potential product liability in connection with the sale and use of its products. It intends to take significant protective steps, including a vigorous quality assurance program and the purchase of product liability insurance. There can be no assurance that any insurance will be obtained or if obtained, will be sufficient to cover potential claims or that coverage will be available at a reasonable cost. A partially or completely uninsured successful claim against the Company could have a material adverse effect on the Company.

### ***THE COMPANY WILL BE DEPENDENT ON THIRD PARTIES FOR THE PRODUCTION OF ANY PRODUCT WHICH MAY BE COMMERCIALIZED***

The Company will utilize unaffiliated third parties to help develop, test, assemble and manufacture its components. The Company believes there are a limited number of third parties available to satisfy anticipated initial requirements. The inability to enter into arrangements with third parties would prevent or limit the Company's future sales. Moreover, subsequent failures or termination of the services of a third party could result in our inability to complete the development of, or deliver adequate quantities of product on a timely and competitive basis. Furthermore, the inability to obtain favorable pricing terms from third parties could have a material negative impact on our business.

### ***VOIDABLE REINCORPORATION***

It is possible that our reincorporation from Delaware to Nevada may be voidable under Delaware law. Because of the similarity of the laws of the two states we do not believe we will suffer substantial adverse consequences. However we may suffer adverse consequences in such event. Moreover, in the process of correcting any failure to have properly approved the merger we may incur expenditures unrelated to operations.

### ***INCREASED COMPLIANCE AS A PUBLIC COMPANY MAY BE A BURDEN***

Pending actions by the Public Company Accounting Oversight Board and the Securities and Exchange Commission may substantially increase compliance costs under the Sarbanes-Oxley Act in the short term. If the Company fails to act because of a lack of funds then the ability of the Company to operate as a public traded firm could be materially impaired.

The Financial Industry Regulatory Authority "FINRA" has assumed a larger role in governing the disclosure of and trading in shares of smaller public companies. Conflicts may exist between FINRA rules and state and federal securities laws which poses a significant risk in the completion of processing certain corporate actions approved by shareholders and directors. This poses a risk that could jeopardize the Company's ability to complete a planned reverse stock split and name change. As a result, we will not be able to continue to raise additional capital and may be forced to discontinue operations and you will likely lose your entire investment.

### ***SUBSTANTIAL DILUTION- FUTURE ISSUANCE OF SHARES***

The Company will issue a significant number of additional shares in the future in connection with additional financing. In addition, the Company is now obligated to issue additional shares in connection with the conversion of the principal and interest of presently outstanding convertible notes, preferred stock and the exercise of outstanding warrants and options. As of May 11, 2015, a total of approximately 383,263,608 additional shares are issuable by the Company upon the conversion of convertible preferred stock, convertible notes (excluding shares issuable upon the conversion of interest), and the exercise of outstanding options and warrants and shares owed to our former CEO. A holder of the Company's common stock will face substantial dilution resulting from future issuances of its securities.

On March 20, 2015 a majority of our shareholders approved an increase in the number of authorized shares. On April 9, 2015 we amended our certificate of incorporation reflecting an increase in our authorized shares to 5,000,000,000. If any of the holders of such convertible securities decide to convert their securities into common stock and subsequently sell their shares, it may cause a significant decline in the price of our common stock.

## **CONTROL**

Aspatuck Holdings, Ltd beneficially owns a significant number of the outstanding shares and may retain effective control of the Company.

## **THE ACCOUNTING TREATMENT OF FUTURE VESTING OF WARRANTS MAY RESULT IN SIGNIFICANT LOSSES**

As of March 31, 2015, the Company has no options outstanding which may vest over the following year upon the continuation of service of the holders and/or the happening of a specific event. The Company will have to expense the fair value of any additional options, if granted for any reason by the Company in the future as they vest. Furthermore, as a result of the existence of presently outstanding convertible securities the Company may be required to record liabilities associated with the existence of such convertible securities.

## **INEFFECTIVE INTERNAL CONTROLS**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a15(f). As required by Rule 13a15 under the Exchange Act, the Company's Chief Executive Officer and its Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of March 31, 2015. These controls are designed to ensure that material information the Company must disclose in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis. These officers have concluded, based on that evaluation, that as of such date, the Company's disclosure controls and procedures were **not effective** at a reasonable assurance level for a Company with substantially no activities and no personnel. The Company believes it must devise new procedures as it increases its activity and its personnel.

Based on this assessment management identified material weaknesses in the Company's internal controls over financial reporting due in significant part to the pervasive effect of the lack of resources, specifically the limited number of personnel involved in the financial reporting including the number of persons that are appropriately qualified in the areas of U.S. GAAP and SEC reporting. These limitations include an inability to segregate functions. The weaknesses pose a risk that a material misstatement of the annual financial statements **would not have been prevented or detected**. The adverse effect of the material weakness over internal controls will become magnified if the Company increases operations.

## **UNAUDITED FINANCIAL STATEMENTS AND DISCLOSURE**

The financial statements and disclosures contained in this report and our annual reports for the periods 2014 and 2013 are not audited or reviewed. For various reasons, the Company terminated its obligation to report under the Securities Exchange Act of 1934 (the "Act") on February 27, 2015. Reporting under the Act requires an annual audit of our financial statements and disclosure as well as a review of our interim financial statements and disclosures.

The financial statements and disclosures contained in this report are **not audited or reviewed** by an independent accounting firm. The existence of material weaknesses over internal controls as well as controls over financial reporting poses a risk that a material misstatement of the annual financial statements and disclosures contained in this report would not have been prevented or detected.

## **RISKS RELATING TO THE MARKET FOR OUR COMMON STOCK**



## **OUR STOCK IS A PENNY STOCK; THEREFORE SHAREHOLDERS WILL BE MORE LIMITED IN THEIR ABILITY TO SELL THEIR STOCK**

Our common stock is traded on the OTC Pink Markets and constitutes a penny stock under the Securities and Exchange Act. Our common stock will remain classified as a penny stock for the foreseeable future. The classification as a penny stock makes it more difficult for a broker-dealer to trade our stock in the secondary market, which makes it more difficult for a purchaser to liquidate his or her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares will be subject to rules 15c-1 through 15c-10 of the Securities and Exchange Act. Rather than having to comply with these rules, some broker-dealers will refuse to attempt to sell a penny stock and/or accept custody of our shares. These rules may affect the ability of broker-dealers to sell our common stock and also may affect the ability of holders of our common stock to appoint a custodian to hold the shares and choose a broker to process transactions in our common stock.

## **RISKS RELATING TO MARKET EFFECTS OF AN INCREASE IN AUTHORIZED SHARES**

On March 20, 2015 the Company received majority shareholder approval from 54.8% of its shareholders to increase the number of shares of common stock the Company is authorized to issue to 5,000,000,000. On April 9, 2015, the company amended its certificate of incorporation to reflect an increase in its authorized shares to 5,000,000,000. As of May 11, 2015, a total of approximately 383,263,608 additional shares are issuable by the Company upon the conversion of presently outstanding convertible preferred stock, convertible notes (excluding shares issuable upon the conversion of interest) and the exercise of presently outstanding options and warrants and shares owed to our former CEO.

The effectiveness of the amendment of the Company's certificate of incorporation allows the holders of such securities to convert their securities into common stock and subsequently sell their shares which poses a risk of a significant decline in the price of our common stock.

## **OUR STOCK PRICE IS EXTREMELY VOLATILE**

The price of our common stock has been and may continue to be subject to wide fluctuations in response to a number of events and factors, such as our ability to finance our operations, the status of legal proceedings against us, our inability to achieve commercialization of our products or enter into joint venture and licensing agreements, the operating and stock price performance of other companies that investors may deem comparable to us, and news relating to trends in our markets. In addition, the stock market in general, and the market for high technology stocks in particular, has experienced extreme volatility that often has been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance.

## **ABSENCE OF DIVIDENDS**

We have never paid cash dividends on the common stock and because of substantial deficit may not legally do so. Cash dividends are not expected to be paid on our common stock in the foreseeable future. Assuming we could eliminate the deficit, any future determination to declare or pay dividends will be at the discretion of the board of directors and will be dependent on our results of operations, financial condition, contractual and legal restrictions and other factors deemed relevant by the board of directors.

## **7) Describe the Issuer's Facilities**

### **EMPLOYEES**

As of March 31, 2015, we had no full-time employees but we have retained several consultants, devoting significant time to the Company's affairs. There is no assurance that we will be able to retain our consultants or hire additional personnel since funds are not available to pay current or past due consulting fees.

### **FACILITIES**

As of March 31, 2015 a non-affiliate shareholder of the Company provided office space to the Company in New York, New York on a month to month basis.

## **8) Officers, Directors, and Control Persons**

Our executive officers and directors and their respective ages as of May 11, 2015 are as follows:

NAME	AGE	TITLE
Robert H. Davies	62	Chairman of the Board of Directors & Chief Executive Officer
Debi Kokinos	62	Chief Financial Officer & Secretary
Jason Meyers	48	Director

On March 14, 2015 the Company entered into a three year consulting agreement (“Agreement”) with Mr. Robert Davies. Pursuant to the Agreement, Mr. Davies will be appointed as Chairman and Chief Executive Officer. Upon the appointment of Mr. Davies, Jason Meyers will resign as Chairman and Chief Executive Officer. **See “Description of Compensation Arrangements”** below.

Set forth below is a brief description of the background and business experience of our executive officer and directors:

#### **ROBERT H. DAVIES**

Mr. Davies acts as our Chairman and Chief Executive Officer.

Mr. Davies has over 25 years of executive business experience focused on strategic planning, operations, financial management, corporate performance, complex corporate financing, entrepreneurship, turnarounds/restructurings, mergers & acquisitions and divestitures. He has acted as principal in dozens of corporate transactions aggregating approximately \$1.2 billion in total value.

He has been an Officer and Director of several public and private companies, among other senior executive positions. He has been Managing Director and CEO (2012-2014) of a private investment group focused on underperforming start-ups and small companies in a variety of industries. As Managing Director, Strategy Development and Financial Planning at Arête Partners, LLC (2010-2011), he led technology and business strategy development, developed financial projections and co-led financing strategy. As Interim COO at Compudata Services, Inc. (2009-2010), he provided “hands-on” operations management, redesigned product/market strategy, evaluated technology alternatives and positioned the company for sale in a private transaction. As Chief Strategic Officer and Director at Alyst Acquisition Corp. (2006-2009), he was instrumental in raising \$65 million in an IPO and co-led the merger with China Networks. As Executive Managing Director and Interim CEO at Porta Systems Corp. (2000-2004), he restructured all business operations of this \$30 million telecom equipment manufacturer and led this public company from \$11 million in operating losses to a \$4 million operating profit. As Co-founder and Director of Logisticare, Inc. (1994-1999), he co-led the start-up to \$55 million in revenue and \$5 million in operating profit in four years and co-led a profitable exit. As Vice Chairman and Director at EF Johnson, Inc. (1992-1997), he co-led the LBO of this \$100 million manufacturing company and provided “hands-on” restructuring and executive leadership and co-led a profitable exit to Transcrypt, Inc. As Director of the Western Union Corporation (1989-1991), he co-led the restructuring and completed approximately \$400 million in several divestitures.

Mr. Davies graduated from Princeton with a B.A. in Liberal Arts and holds an MBA from Wharton.

#### **DEBI KOKINOS**

Ms. Kokinos has been our Chief Financial Officer and Corporate Secretary since October 6, 2005. Ms. Kokinos has been with the company since May 2003. Ms. Kokinos has been a Certified Public Accountant since 1984 and has extensive experience in accounting, management, taxation and computer consulting. Ms. Kokinos was an owner of a large CPA firm with offices in Santa Barbara and Los Angeles. Her clients included local and international corporations and individuals. She was also chairperson of the Channel Counties Chapter of CPA's Tax Committee and a member of the California Society of CPA's State Tax Committee working with and providing training for other CPA's and federal and California taxing agencies. Ms. Kokinos established, organized and documented the policies and procedures of CPA firms and of small to mid-sized companies.

#### **JASON MEYERS**

Mr. Meyers is our former Chairman of the Board of Directors and Chief Executive Officer. Mr. Meyers is a venture capitalist based in New York City. Mr. Meyers has extensive experience in re-capitalizing, funding and revitalizing distressed businesses and recruiting management teams. Mr. Meyers has over 20 years of investment and merchant banking experience and has led or participated in the origination and syndication of dozens of private placements and

initial public offerings in a broad range of industries including entertainment, technology, healthcare, and financial services. On September 14, 2012, Mr. Meyers was informed by the staff at FINRA (Financial Industry Regulatory Authority) that he was the subject of a formal investigation relating to activities occurring while he was a registered person of a FINRA member firm. On September 11, 2014, Mr. Meyers consented to a settlement containing the entry of (i) findings by FINRA, without admitting or denying any wrongdoing, that he misappropriated \$700,000 in connection with the use of proceeds of a private placement (ii) a bar from association with any FINRA member firm. On September 30, 2014, counsel to Mr. Meyers notified FINRA that Mr. Meyers rescinded the order. **See “Risk Factors”**.

## AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors, which is also the audit committee, has determined that none of the audit committee members can be classified as an "audit committee financial expert" as defined in Item 401(e) of Regulation S-K. We presently do not have any other committees of the Board of Directors.

## COMMITTEES

The Company's Board of Directors has no nominating or other separate committees. The Board of Directors serves as the compensation committee.

## EXECUTIVE COMPENSATION

The following table sets forth certain compensation for each of our executive officers for the period ending March 31, 2015:

Name and Principal Position	As of March 31, 2015	Salary	Option/Warrant Awards	All other Compensation	Total
Robert H. Davies Chairman & Chief Executive Officer		\$Nil	\$Nil	\$Nil	\$Nil
Debi Kokinos Chief Financial Officer & Secretary		\$19,380	\$Nil	\$Nil	\$19,380
Jason Meyers, Director		\$30,000	\$Nil	\$Nil	\$30,000

## DESCRIPTION OF COMPENSATION ARRANGEMENTS

On March 14, 2015 the Company entered into a three year consulting agreement (“Agreement”) with Mr. Robert Davies, the Company's Chairman and Chief Executive Officer. Pursuant to the Agreement, Mr. Davies will receive cash compensation equal to the following; (i) \$90,000 for the first year, (ii) \$120,000 for the second year, (iii) \$150,000 for the third year. Cash compensation will accrue from March 16, 2015 (the “Effective Date”) and such accrual will be paid in full upon the receipt of funding of a minimum amount of \$250,000.

In addition to cash compensation, Mr. Davies will receive 50,000,000 shares of restricted common stock (the “Shares”) pursuant to the following vesting schedule;

- I. One third (1/3) of the Shares shall be “service based” and shall be issued at the rate of 1/12th of the “service based” Shares per quarter for twelve quarters from the date of the Agreement;
- II. One third (1/3) of the Shares shall be “revenue based” and shall be issued in their entirety upon the receipt of first revenue from a client by the Company for the sale of a production product, licensing fees, product development funding or any other revenue sources;

III. One third (1/3) of the Shares shall be “operating profit” based and shall be issued in their entirety upon the achievement of an operating profit equal to \$1,000,000 during the Term.

In May, 2012 we extended for an additional two year term, a consulting agreement originally entered into in 2006 with Debi Kokinos. The Agreement, as extended was substantially identical to Aspatuck's agreement, providing for her services as Chief Financial Officer. Ms. Kokinos is to receive annual compensation of approximately \$77,520 and was granted Warrants to purchase 9,600,000 shares of common stock which had vested by December 31, 2012. The Warrants are divided equally into the same three categories and vesting schedule as the Warrants for Aspatuck Holdings. Of the aforesaid Warrants only the service based Warrants are reflected in the Company's financial statements as it is unlikely at this stage that the other Warrants will vest.

C. **Beneficial Shareholders.** Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of May 11, 2015, the Company has 1,771,441,088 shares outstanding. As of May 11, 2015, a total of approximately 383,263,608 additional shares are issuable by the Company upon the conversion of all presently outstanding convertible notes (excluding shares issuable upon the conversion of interest), convertible preferred stock, the exercise of presently outstanding options and warrants and shares owed to our former chief executive officer. Assuming the issuance of shares owed and the conversion of all presently outstanding convertible securities, the Company has a total 2,154,476,088 shares outstanding on a fully diluted basis as of May 11, 2015. **See “Notes to Consolidated Financial Statements”.**

The following table sets forth certain information concerning the number of shares of the Company's common stock owned beneficially as of May 11, 2015 by: (i) each of our then directors; (ii) each of our named executive officers, (iii) officers and directors as a group and (iv) 5% or more holders of our common stock. The table also reflects additional shares which may be acquired by the listed holders within sixty days of the date of the table pursuant to the outstanding notes, warrants and options held by them. These additional shares are described in the footnotes below the table. **See also “Risk Factors”.** Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

The address of all holders is c/o the Company at 250 West 57th Street, Suite 2328, New York, NY 10107.

	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Common Stock	
	<b>Management</b>			
	Jason Meyers <sup>(1)</sup>	395,724,245	22.34%	
	Debi Kokinos <sup>(2)</sup>	247,360,000	13.96%	
	Robert H. Davies <sup>(6)</sup>	-	-	
	<b>All officers and directors as a group (2 persons) (1) (2) (3)</b>			
		<b>643,084,245</b>	<b>36.30%</b>	
	<b>5% or more stockholders</b>			
(1) Meyers deemed	Robert Roche <sup>(3)</sup>	125,788,224	7.1%	Jason is the
	Salvatore Rutigliano <sup>(4)</sup>	114,749,987	6.48%	
	D. Herman Mobley <sup>(5)</sup>	224,726,508	12.69%	
	Aspatuck Holdings Ltd. <sup>(1)</sup>	395,724,245	22.34%	

beneficial owner of 395,724,245 shares of common stock through Aspatuck Holdings Ltd.

(2) Includes (i) 244,160,000 shares issuable upon conversion of the principal of a 5% convertible note (not counting additional shares issuable upon conversion of interest) and (ii) 3,200,000 shares issuable upon exercise of warrants held by Ms. Kokinos which is convertible within 60 days of March 31, 2015. **See Compensation Arrangements and Certain Relationships and Related Transactions.**

(3) Does not include 18,528,862 shares owed to Mr. Roche pursuant to an agreement. **See Certain Relationships and Related Transactions**

(4) Includes 12,500,000 shares issuable upon conversion of a total of \$50,000 12% convertible notes (not including shares issuable upon conversion of interest) which are convertible within 60 days of May 11, 2015.

(5) Includes (i) 76,875,000 shares issuable upon conversion of the principal of a total of \$307,500 12% convertible notes, (not including shares issuable upon conversion of interest) which are convertible within 60 days of May 11, 2015 and (ii) 800,000 shares issuable upon exercise of warrants to purchase shares of common stock at \$.002 per share which are exercisable within 60 days of May 11, 2015.

(6) Does not include 50,000,000 shares of restricted common stock pursuant to the following vesting schedule; (i) 1,388,888 shares issued at the end of each fiscal quarter for twelve quarters from the date of a consulting agreement entered into on March 14, 2015, (ii) 16,666,666 shares of common stock shall be issued upon the receipt of first revenue from a client by the Company for the sale of a production product, licensing fees, product development funding or any other revenue sources and (iii) 16,666,667 shares of common stock shall be issued upon the achievement of an operating profit equal to \$1,000,000. **See “Description of Compensation Arrangements”.**

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The following transactions relate to the period ending March 31, 2015.

Aspatuck Holdings Ltd. and ICMC Holdings LLC, which are entities affiliated with Jason Meyers have extended loans to the Company of an aggregate of aggregate of \$31,000 and \$15,000 respectively to date, at a rate of interest of 5%. During 2011, the Company repaid Aspatuck Holdings Ltd. \$9,338 of the balance and \$7,648 of accrued interest on the loans. **See Notes to Consolidated Financial Statements 3(a) and 3(b).**

As of December 31, 2011 the Company also owed Aspatuck Holdings Ltd consulting fees of \$652,267. On December 31, 2011, the Company issued a convertible note to Aspatuck Holdings having a face value of \$652,267 in satisfaction of consulting fees owed to it. Aspatuck Holdings was obligated to provide the services of Jason Meyers to the Company. The note bears interest at 5% per annum and was due on December 31, 2014. The principal and interest are convertible into shares of the company's common stock at \$.001. Additionally, as of March 31, 2015, the Company is in arrears of a total of \$241,035 in connection with consulting fees owed to it. **See Notes to Consolidated Financial Statements 3(d).**

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the notes to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. **See Notes to Consolidated Financial Statements 3(d).**

On April 13, 2015, Aspatuck transferred to ICMC, \$433,311 including accrued interest in satisfaction of indebtedness of Aspatuck to ICMC. As the result ICMC held convertible notes totaling \$454,936 including accrued interest. **See Notes to Consolidated Financial Statements – Note 10 Subsequent Events**

On April 15, 2015 ICMC converted \$454,936 (including accrued interest) of the convertible notes into 422,066,088 shares of restricted common stock at the conversion price of \$.001078. On April 21, 2015 ICMC distributed to its members, all of these shares and is not a shareholder of the company. **See Notes to Consolidated Financial Statements Note 10 Subsequent Events**

On April 15, 2015 Aspatuck converted \$349,375 (including accrued interest) of the convertible notes into 349,375,000 shares of restricted common stock at the conversion price of \$.001. **See Notes to Consolidated Financial Statements Note 10 Subsequent Events**

On April 27, 2015, Warrants to purchase 10,666,666 shares of common stock having an exercise price of \$.0117 (“Warrants”) that were issued pursuant to a consulting agreement with Aspatuck were surrendered. After the conversion and the surrender of the Warrants, Jason Meyers, was the beneficial owner of 415,724,245 shares of common stock or

23.47% of the total shares of common stock outstanding. **See Notes to Consolidated Financial Statements Note 10 Subsequent Events**

On May 5, 2015, Aspatuck transferred 20,000,000 shares of common stock to a non-affiliate shareholder in a private transaction. Subsequent to the transfer, Jason Meyers was the beneficial owner of 395,724,245 shares of the Company's common stock or 22.34% of the Company's shares. Mr. Meyers has advised the Company that he intends to reduce his beneficial holdings below 20%. In connection with his effort Mr. Meyers has advised that he plans to sell an additional 17,714,410 shares of common stock pursuant to SEC Rule 144 or an alternatively available exemption from registration. **See Notes to Consolidated Financial Statements Note 10 Subsequent Events**

On December 31, 2011, the Company issued a convertible note to Ms. Kokinos having a face value of \$244,160 in satisfaction of consulting fees owed to her as of such date. The note bears interest at 5% per annum and is due on December 31, 2014. The principal and interest are convertible into shares of the company's common stock at \$.001. Additionally, as of December 31, 2014, the Company is in arrears of a total of \$244,170 in connection with consulting fees owed to her. **See Notes to Consolidated Financial Statements 3(e).**

On November 10, 2011, the Company amended a convertible note held by Mr. Robert Roche having a face amount of \$50,000 and warrants to purchase 1,000,000 shares of common stock at \$.01. Pursuant to the amendment, the conversion price of the note was reduced from \$0.01 to \$0.0005 and the exercise price of the warrants was reduced from \$0.01 to \$0.005. A total of 130,433,333 shares were issuable by the Company to Mr. Roche as a result of the amendment, conversion and warrant exercise. The Company issued 111,904,471 common shares in connection with the amendment and conversion of the note and interest related to the note. As a result, the Company had issued the maximum number of authorized common shares. As of December 31, 2013, an additional 18,528,862 shares of common stock including 1,000,000 shares issuable in connection with the warrant exercise was owed to Mr. Roche.

On October 16, 2013, the Company entered into a modification agreement with Mr. Robert Roche. Pursuant to the modification, Mr. Roche agreed to waive the 17,528,862 additional shares issuable upon the conversion of the note plus the 1,000,000 shares issuable by the Company in connection with the warrant exercise and additionally return to the Company 32,471,138 of the Company's common shares held by him. The amendment becomes effective at the time that the Company amends its certificate of incorporation effecting a reverse split. **See Notes to Consolidated Financial Statements 9(c).**

On April 21, 2015 Mr. Robert Roche received 13,883,753 shares of common stock as the result of a distribution made by ICMC Holdings LLC. As of May 11, 2015, Mr. Roche is the beneficial owner of 125,788,224 shares of common stock.

On April 15, 2015 Mr. D. Herman Mobley purchased a two year 12% convertible note having a face value of \$12,500. The note is convertible into shares of the Company's common stock at \$.004 per share. As of May 11, 2015 Mr. Mobley was the holder of \$307,500 of convertible notes.

On April 21, 2015 Mr. Mobley received 60,394,325 shares of common stock as the result of a distribution made by ICMC Holdings LLC. As of May 11, 2015, Mr. Mobley is the beneficial owner of 224,726,508 shares of common stock including a total of 76,875,000 shares of common stock issuable upon conversion of a total of \$307,500 of convertible notes and warrants to purchase 800,000 shares of common stock at \$.002 per share.

## **9) Third Party Providers**

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

### Legal Counsel

Michael DiGiovanna  
19 Hathaway Drive  
Princeton Junction, NJ 08550  
Phone: 609-799-7525  
Email: mddl@comcast.net

### Accountant or Auditor

None.

Investor Relations Consultant

PublicWire LLC  
Attention David Donlin  
5850 TG Lee Blvd  
Orlando, FL 32822  
Phone: (407) 490-6635  
Email: [ddonlin@publicwire.com](mailto:ddonlin@publicwire.com)

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Lancaster & David  
Chartered Accountants  
510 - 701 West Georgia Street  
Vancouver, British Columbia  
Canada, V7Y 1C6  
Phone: 604-717-5526  
Email: [admin@lancasteranddavid.ca](mailto:admin@lancasteranddavid.ca)

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**10) Issuer Certification**

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Debi Kokinos certify that:

1. I have reviewed this interim report for the period ending March 31, 2015 of Turbodyne Technologies, Inc. and its subsidiaries;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

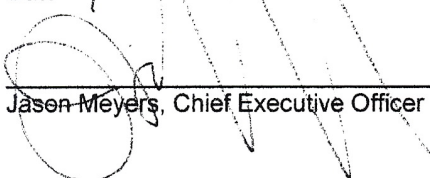
May 15, 2015  
Date

  
Debi Kokinos, Chief Financial Officer

I, Jason Meyers certify that:

1. I have reviewed this interim report for the period ending March 31, 2015 of Turbodyne Technologies, Inc. and its subsidiaries;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15 2015  
Date

  
Jason Meyers, Chief Executive Officer