

AMERICAN POWER GROUP Corp
Form POS AM
May 28, 2014

As filed with the Securities and Exchange Commission on May 28, 2014
Registration Number 333-181773

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

AMENDMENT NO. 2 TO
POST-EFFECTIVE AMENDMENT NO. 2 TO
FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

AMERICAN POWER GROUP CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or
other jurisdiction of
incorporation or
organization

3510 (Primary
Standard Industrial
Classification Code
Number)

71-0724248 (I.R.S.
Employer Identification
No.)

7 Kimball Lane, Building A
Lynnfield, Massachusetts 01940
(781) 224-2411

(Address, Including Zip Code, and Telephone Number, Including Area Code, or Registrant's Principal Executive Offices)

Charles E. Coppa
Chief Financial Officer
American Power Group Corporation
7 Kimball Lane, Building A
Lynnfield, Massachusetts 01940
(781) 224-2411

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

with a copy to:

Carl F. Barnes, Esq.
Morse Barnes-Brown & Pendleton, P.C.

CityPoint
230 Third Street, 4th Floor
Waltham, MA 02451
(781) 622-5930

Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date hereof.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

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

Larger accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Amendment No. 2 (this "Amendment") to Post-Effective Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-181773) (the "Registration Statement") of American Power Group Corporation (the "Company") is being filed pursuant to the undertaking in Item 17 of the Registration Statement to update and supplement the information contained in the Registration Statement, as originally declared effective by the Securities and Exchange Commission on July 25, 2012, and as amended by Post-Effective Amendment No. 1 declared effective by the Securities and Exchange Commission on April 18, 2013 to include the information contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013 (the "Annual Report") that was filed with the Securities and Exchange Commission (the "SEC") on December 23, 2013, to include the information contained in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014 that was filed with the SEC on May 15, 2014, and to update certain other information in the Registration Statement.

The information included in this Amendment updates and supplements the Registration Statement and the Prospectus contained therein. No additional securities are being registered under this Amendment. All applicable SEC registration fees were paid at the time of the filing of the original Registration Statement.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL AND IS NOT A SOLICITATION OF AN OFFER TO BUY IN ANY STATE IN WHICH AN OFFER, SOLICITATION, OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MAY 28, 2014
PROSPECTUS

AMERICAN POWER GROUP CORPORATION

11,553,282 SHARES OF COMMON STOCK

This prospectus relates to the possible resale, from time to time, by the selling stockholders named in this prospectus of up to: (1) 10,346,585 shares that have been, or may be, acquired upon the conversion of shares of our 10% Convertible Preferred Stock, which preferred stock was issued to 15 investors in a private placement completed on April 30, 2012; and (2) 1,206,697 shares issued between June 30, 2012 and January 31, 2014 in lieu of the payment of cash dividends on the preferred stock in accordance with the terms of the Certificate of Designation governing the preferred stock.

We are not selling any shares of our Common Stock in this offering and, as a result, we will not receive any proceeds from the sale of the Common Stock covered by this prospectus. All of the net proceeds from the sale of our Common Stock will go to the selling security holders.

The selling security holders may sell Common Stock from time to time at prices established on the OTC Markets Group's OTCQB, or as negotiated in private transactions, or as otherwise described under the heading "Plan of Distribution." The Common Stock may be sold directly or through agents or broker-dealers acting as agents on behalf of the selling security holders. The selling security holders may engage brokers, dealers or agents who may receive commissions or discounts from the selling security holders. We will pay all the expenses incident to the registration of the shares; however, we will not pay for sales commissions or other expenses applicable to the sale of our Common Stock registered hereunder.

Our Common Stock is presently quoted on the OTC Markets Group's OTCQB under the symbol "APGI." On May 27, 2014, the last reported sale price of our Common Stock on the OTCQB was \$0.75 per share.

Investing in our Common Stock involves a high degree of risk. See "Risk Factors" beginning on page 8 to read about factors you should consider before investing in shares of our Common Stock.

NEITHER THE SECURITIES & EXCHANGE COMMISSION ("SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS _____, 2014.

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“GreenMan,” “American Power Group” and “Green Tech Products” are our trademarks and service marks, and we claim common law rights in such marks. This prospectus refers to the trade names, service marks and trademarks of other companies. These references are made with due recognition of the rights of these companies and without any intent to misappropriate these names or marks.

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PROSPECTUS SUMMARY

AMERICAN POWER GROUP CORPORATION

11,553,282 SHARES OF COMMON STOCK

ABOUT THIS PROSPECTUS

This summary highlights certain information appearing elsewhere in this prospectus. For a more complete understanding of this offering, you should read the entire prospectus carefully, including the risk factors and the financial statements. References in this prospectus to “we,” “us,” “our” and “American Power Group” refer to American Power Group Corporation together with its subsidiaries. You should read both this prospectus and any prospectus supplement together with additional information described below under the heading “Where You Can Find More Information.”

ABOUT AMERICAN POWER GROUP

Company Overview

Effective August 1, 2012, our company changed its name from GreenMan Technologies, Inc. to American Power Group Corporation. The trading symbol for our Common Stock on the OTCQB also changed from “GMTI” to “APGI.” American Power Group Corporation is a Delaware corporation. Prior to August 1, 2011, our business was comprised of two business segments, our dual fuel conversion operations (American Power Group) and our molded recycled rubber products operations (Green Tech Products). Our business changed substantially in August 2011, when we sold substantially all of the assets of our molded recycled rubber products operations.

Products and Services

Our American Power Group's patented dual fuel conversion system is a unique external fuel delivery enhancement system that converts existing diesel engines into more efficient and environmentally friendly engines that have the flexibility, depending on the circumstances, to run on:

- Diesel fuel and compressed natural gas (CNG) or liquefied natural gas (LNG);
- Diesel fuel and pipeline gas, well-head gas or approved bio-methane; or
- 100% diesel fuel.

Our proprietary technology seamlessly displaces up to 75% of normal diesel fuel consumption with various forms of natural gas with the average displacement ranging from 40% to 65%. The energized fuel balance between the two fuels is maintained with a patented control system ensuring the engines operate to Original Equipment Manufacturers' (OEM) specified temperatures and pressures with no loss of horsepower. Installation requires no engine modification, unlike the more expensive fuel injected alternative fuel systems in the market.

By displacing highly polluting and expensive diesel fuel with inexpensive, abundant and cleaner burning natural gas, a user can:

- Reduce fuel and operating costs by 15% to 35%;
- Reduce toxic emissions such as nitrogen oxide (NOX), carbon monoxide (CO) and fine particulate emissions; and
- Enhance the engine's operating life, since natural gas is a cleaner burning fuel source.

Primary end market applications include both primary and back-up diesel generators as well as heavy-duty vehicular diesel engines.

Recent Developments

In November 2012, we signed a National Distributor and Master Marketing Agreement with WheelTime Network LLC, a truck service network with 18 member companies providing installation and warranty support through nearly 200 service centers, 2,800 service bays, 3,500 factory-trained technicians and 30 training facilities located across the United States and Canada. Under the agreement, WheelTime endorsed American Power Group's dual fuel conversion technology to its 18 member companies and encouraged each member to become a certified installer and authorized dealer of American Power Group's Vehicular Turbocharged Natural Gas Systems. As of September 30, 2013, all of WheelTime's 18 member companies have agreed to become non-exclusive dealers and installers of our dual fuel technology. We believe that this relationship provides us the opportunity to accelerate the national rollout of our vehicular dual fuel through access to a large national network of qualified diesel engine personnel as well as testing/installation equipment.

In addition, we issued WheelTime a warrant to purchase 1,540,000 shares of our Common Stock at an exercise price of \$.55 per share. The warrant is immediately exercisable with respect to 100,000 shares of Common Stock with the remaining shares becoming exercisable in increments of 50,000 shares upon the execution of a certified installer agreement and a dealer agreement by each of the 18 members during the first year after the original issue date of the Warrant. An additional 30,000 warrants would become exercisable for each member that agreed to become an exclusive dealer by December 31, 2013. No member chose to become exclusive and therefore warrants to purchase 540,000 shares of our Common Stock have terminated. The remaining warrants will expire on December 31, 2017. During fiscal 2013, we were notified by the Environmental Protection Agency ("EPA") of an additional 360 approvals for various outside useful life ("OUL") vehicular engine families. As of September 30, 2013, we had an industry-leading 449 OUL vehicular engine family approvals. See "Business-Government Regulation", below.

In March 2013, we introduced the nation's first natural gas dual fuel glider kit. The term glider kit refers to a truck that is built from the "ground up" with a new frame, cab, electrical system and front axle but utilizing two of the following three rebuilt components: (1) engine, (2) transmission, or (3) rear axle. As a result, the initial purchase price is typically 25% lower than a new diesel truck and maintenance costs are typically 70% less compared to new truck. In August 2013 we received an \$800,000 order from Ervin Equipment of which approximately 70% is for anticipated glider conversions.

In December 2013, Iowa State Bank extended the maturity of our \$2.25 million credit facility from December 31, 2013 to April 1, 2015, increased our borrowing limit to \$2.5 million and expanded our collateral base to include certain fixed assets which will provide more working capital availability under the credit facility.

Financing Arrangements

In April 2012, we completed the following actions.

Private Placement

On April 30, 2012, we completed a private placement in which we entered into a securities purchase agreement with certain accredited investors and sold 821.6 units for gross proceeds to us of \$8,216,000. Each unit had a purchase price of \$10,000 and consisted of one share of 10% Convertible Preferred Stock, which we refer to in this prospectus as 10% Preferred Stock, and one warrant to purchase 25,000 shares of Common Stock.

The 10% Preferred Stock has a ten percent annual dividend, payable quarterly in shares of Common Stock, provided that if we fail to meet certain conditions set forth in the Certificate of Designations we may be required to pay such dividends in cash. As of the date of issuance, each share of 10% Preferred Stock is convertible, at any time at the option of the holder, into 25,000 shares of Common Stock at a conversion price of \$0.40 per share. The conversion price is subject to adjustment in the event we issue shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share which is less than the conversion price of the 10% Preferred Stock. In addition to the conversion right described above, we may require the holders of the 10% Preferred Stock to convert their shares into shares of Common Stock in the event the volume weighted average price of our Common Stock exceeds certain threshold amounts.

The holders of the 10% Preferred Stock vote with the Common Stock on all matters presented to the holders of the Common Stock, other than the election of certain directors, on an as converted into Common Stock basis. The holders of 10% Preferred Stock voting as a separate class are entitled to elect three members of the Board of Directors. In

connection with the exercise of that right, Dr. Allen Kahn and Thomas Galvin resigned from the Board of Directors following the completion of the private placement and the Board of Directors appointed Neil Braverman, Dr. Aviel Faliks and Jamie Weston as directors. The number of directors elected by the holders of our Common Stock, voting as a separate class, will be reduced from four to three effective March 31, 2013. Kevin Tierney, Sr. resigned from the Board of Directors on January 10, 2013 in anticipation of that change. The holders of the 10% Preferred Stock also have certain rights to elect additional members of the Board of Directors in the event we fail to make the dividend payments as required by the terms of the 10% Preferred Stock. In addition, the approval of the holders of at least 67% of the outstanding 10% Preferred Stock will be required before we may take certain actions.

The holders of the 10% Preferred Stock have priority in the event of a liquidation of our company over the outstanding shares of Common Stock. Upon liquidation, dissolution or winding up of our company, whether voluntary or involuntary, before any distribution or payment is made to the holders of the Common Stock, the holders of the 10% Preferred Stock are entitled to be paid out of the assets of the company an amount equal the stated value of the 10% Preferred Stock, which is initially \$10,000 per share, plus any accrued, but unpaid, dividends.

In addition, in the event we fail to take certain actions regarding the registration of the Common Stock issuable upon conversion of the 10% Preferred Stock or we take certain other actions affecting the 10% Preferred Stock, the holders of the 10% Preferred Stock may require us to redeem such preferred stock at a price to be determined at the time of redemption in accordance with the terms of the 10% Preferred Stock.

Each investor also received a warrant to purchase a number of shares of Common Stock equal to the number of shares into which the 10% Preferred Stock purchased by such investor is convertible as of the date of issuance of the warrant. The warrants have an exercise price of \$0.50 per share and may be exercised at any time during a five-year period beginning October 30, 2012. The warrants are subject to adjustment in the event we issue shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share which is less than the exercise price of the warrants and upon other customary terms.

In connection with the private placement, we granted the investors the right, exercisable at any time before March 31, 2013, to invest up to \$2.7 million to buy additional units under the same terms described above. As of March 31, 2013, all of the investors have exercised their additional investment rights to purchase a total of 273.9 units, each unit consisting of one share of 10% Preferred Stock and one warrant to purchase 25,000 shares of Common Stock, for gross proceeds of \$2,739,000. The shares of Common Stock underlying these securities are not being registered for resale under this prospectus.

Of the \$8,216,000 in gross proceeds from the private placement, not including the gross proceeds received upon the exercise of the additional investment rights, our net proceeds after fees and expenses were approximately \$7,500,000. We used approximately \$495,000 of the net proceeds to retire short term debt and intend to use the balance to advance our dual fuel technologies business.

In connection with the private placement, we entered into a registration rights agreement with the holders of the 10% Preferred Stock. Pursuant to the registration rights agreement, we were required to file a registration statement with the Securities and Exchange Commission on or before May 30, 2012, to register for resale the shares of Common Stock issuable upon the conversion of the 10% Preferred Stock and upon the exercise of the warrants and to use commercially reasonable best efforts to cause the registration statement to be declared effective. The registration rights agreement requires that we pay to each investor liquidated damages equal to two percent of the amount invested by such investor in the private placement in the event we fail take certain actions affecting the registration of the shares of Common Stock or the ability of the investors to sell shares of Common Stock pursuant to Rule 144 of the Securities Act of 1933, as amended. This prospectus is a part of the registration statement we filed pursuant to the registration rights agreement.

In connection with the private placement, we entered into a voting agreement with the holders of the 10% Preferred Stock. Pursuant to the voting agreement, the investors have agreed to vote their shares of 10% Preferred Stock to elect: (a) two individuals to the Board of Directors designated by Spring Mountain Capital, for as long as Spring Mountain Capital or its affiliates owns shares of 10% Preferred Stock; and (b) one individual to the Board of Directors designated by Associated Private Equity LLC, for as long as Associated Private Equity LLC or its affiliates owns shares of 10% Preferred Stock.

Amendments to Certain Related Party Promissory Notes

On April 27, 2012, we entered into amendments to promissory notes in the aggregate principal amount of \$473,500 held by Charles Coppa, our Chief Financial Officer; Lyle Jensen, a member of our Board of Directors and our President and Chief Executive Officer; and Dr. Allen Kahn, who was then a member of our Board of Directors. These amendments reduced the interest rates of the promissory notes to 8% per annum and extended the maturity dates of the notes to April 30, 2014. On April 30, 2014, we further amended the promissory note originally issued to Dr. Kahn, now held by the Allen Kahn Revocable Trust AKA Allen Kahn, M.D. Revocable Trust, to extended the maturity date of the original note to September 30, 2014, to modify the payment provisions of the note and to waive any prior

defaults under the note; and we amended the promissory notes issued to Messrs. Jensen and Coppa to extended the maturity date of the original notes to September 30, 2014 and to waive any prior defaults under these notes.

Amendment to Patent License and Note

On April 27, 2012, we entered into an amendment to the exclusive patent license agreement dated June 17, 2009, under which we license certain dual fuel technology from M & R Development, Inc. The amendment amends the royalty provisions in the license to modify the calculation of the royalty payments and to amend the timing of the royalty payments. Under the provisions of this amendment, effective April 1, 2012, the monthly royalty amount due to M&R will be the lesser of 10% of net sales or 30% of pre-royalty EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). No royalties will be due if cumulative EBITDA is less than zero. M&R also agreed to waive any prior defaults under the license. In addition, we amended the amended

and restated promissory note issued to American Power Group by M&R on December 1, 2009 to extend the maturity of the note until February 15, 2015 and to defer all interest and principal payments due under the note during calendar 2012. Thereafter, the aggregate principal amount due under the note will be paid in eight equal quarterly payments plus interest.

Convertible Debenture Conversions

As a condition to the closing of the private placement on April 30, 2012, the investors required that outstanding convertible promissory notes be converted into shares of Common Stock effective as of and immediately prior to the closing. At or prior to the closing, holders of convertible promissory notes in the aggregate principal amount of \$2,985,000 converted such principal, together with interest accrued thereon, into approximately 6,842,955 shares of Common Stock.

Corporate Information

We were originally founded in 1992 and have operated as a Delaware corporation since 1995. Our principal executive office is located at 7 Kimball Lane, Building A, Lynnfield, Massachusetts 01940, and our telephone number is (781) 224-2411. We maintain a website at www.americanpowergroupinc.com. Our website and the information contained therein or connected thereto are not incorporated into this prospectus.

SUMMARY OF THE OFFERING

Common Stock offered by selling security holders: 11,553,282 shares

Terms of the Offering: The selling security holders will determine when and how they will sell the Common Stock offered in this prospectus.

Common Stock outstanding, excluding Common Stock offered by selling security holders: 50,328,402 shares

Common Stock outstanding after the offering: 61,811,684 shares, which assumes the conversion of 390 outstanding shares of 10% Convertible Preferred Stock into shares of Common Stock
Use of proceeds: We are not selling any shares of the Common Stock covered by this prospectus, and, as a result, will not receive any proceeds from this offering.

OTCQB Symbol: APGI

Risk Factors: See "Risk Factors" beginning on page 8 and the other information in this prospectus for a discussion of the factors you should consider before you decide to invest in the units.

The total number of shares of our Common Stock outstanding excludes (i) 17,633,619 additional shares of Common Stock issuable upon conversion of additional shares of 10% Convertible Preferred Stock, which are not included in this prospectus; (ii) 24,651,173 shares of Common Stock issuable upon the exercise of warrants issued to the purchasers of the 10% Convertible Preferred Stock at an exercise price of \$.50 per share; (iii) 290,000 shares of Common Stock issuable upon the exercise of warrants issued to the placement agent in connection with the private placement of the 10% Convertible Preferred Stock at an exercise price of \$.40 per share; and (iv) 5,417,121 shares of Common Stock issuable under the exercise of stock options and warrants outstanding as of May 27, 2014 at a weighted average exercise price of \$0.42 per share.

SUMMARY CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following summary of selected condensed consolidated financial information as of and for the fiscal years ended September 30, 2013 and 2012 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary of selected condensed consolidated financial information as of and for the six months ended March 31, 2014 and 2013 has been derived from our unaudited financial statements included elsewhere in this prospectus. The condensed consolidated financial information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and notes thereto included elsewhere in this prospectus.

Condensed Consolidated Statements of Operations

	Six Months Ended		Fiscal Year Ended	
	March 31, 2014	2013	2013	2012
Net sales	\$3,101,010	\$2,727,115	\$7,017,122	\$2,633,880
Cost of sales	1,852,427	1,710,210	4,290,995	1,935,767
Gross profit	1,248,583	1,016,905	2,726,127	698,113
Operating expenses:				
Selling, general and administrative	1,924,091	2,148,626	4,597,311	2,927,282
Operating loss from continuing operations	(675,508)	(1,131,721)	(1,871,184)	(2,229,169)
Non operating (expense) income				
Interest and financing costs	(91,004)	(87,369)	(158,839)	(1,612,052)
Loss on induced conversion incentive	—	—	—	(582,143)
Interest income	22,295	23,515	46,688	53,977
Other, net	(74,883)	(54,720)	(126,506)	(127,778)
Non operating expense, net	(143,592)	(118,574)	(238,657)	(2,267,996)
Loss from continuing operations	(819,100)	(1,250,295)	(2,109,841)	(4,497,165)
Discontinued operations				
Income (loss) on disposal of discontinued operations, net of taxes	—	—	66,922	(63,085)
	—	—	66,922	(63,085)
Net loss	(819,100)	(1,250,295)	(2,042,919)	(4,560,250)
10% Convertible Preferred stock dividends	(480,486)	(400,096)	(883,370)	(348,460)
10% Convertible Preferred stock beneficial conversion feature	—	—	—	(9,748,137)
Net loss available to common shareholders	\$(1,299,586)	\$(1,650,391)	\$(2,926,289)	\$(14,666,837)
Loss from continuing operations per share - basic and diluted	\$(0.02)	\$(0.03)	\$(0.04)	\$(0.11)
Loss from discontinued operations per share - basic and diluted	—	—	—	—
Net loss per Common share - 10% Preferred Stock dividend	(0.01)	(0.01)	(0.02)	(0.01)
Net loss per Common share - Preferred Stock beneficial conversion feature	—	—	—	(0.25)
Net loss attributable to Common shareholders - basic and diluted	\$(0.03)	\$(0.04)	\$(0.06)	\$(0.37)
	48,722,918	45,972,012	46,480,848	39,352,340

Weighted average Common shares outstanding -
basic and diluted

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Condensed Consolidated Balance Sheet Data

Assets	March 31, 2014 (unaudited)
Cash and cash equivalents	\$880,429
Certificates of deposit, restricted	300,000
Accounts receivable, net	1,653,107
Inventory	921,027
Prepaid expenses	66,241
Other current assets	42,741
Property, plant and equipment, net	875,017
Seller's note, related party, non-current	797,387
Long term contracts, net	266,667
Purchased technology, net	266,667
Software development costs, net	3,198,335
Other	154,613
Total Assets	\$9,422,231
Liabilities and Stockholders' Equity	
Current liabilities	\$2,204,387
Notes payable, non-current	1,995,319
Obligations under lease settlement, non-current	505,540
Stockholders' equity	4,716,985
Total Liabilities and Stockholders' Equity	\$9,422,231

RISK FACTORS

Any investment in our securities involves a high degree of risk. You should carefully consider the risks described below, which we believe represent certain of the material risks to our business, together with the information contained elsewhere in this prospectus, before you make a decision to invest in our units. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline and you could lose all or part of your investment.

Risks Related to our Business

Our dual fuel conversion business has lost money in the last five consecutive fiscal years and we may need additional working capital if we do not obtain sustained profitability. If additional capital is not received, it may force us to adjust operations accordingly.

Since the July 2009 acquisition of American Power Group's dual fuel conversion operations, we have invested over \$13 million to enhance our dual fuel products and support dual fuel sales and marketing initiatives intended to promote American Power Group's dual fuel conversion technology and establish broader market presence worldwide. Despite these efforts and increasing quarterly revenue, American Power Group's business has incurred significant operating losses and experienced negative cash flow from operations.

Our continued existence is dependent on our ability to generate positive operating cash flow, achieve profitability on a sustained basis and generate improved performance. If American Power Group is unable to achieve sustained profitability, our ability to maintain our current level of operations could be materially and adversely affected. There is no guarantee we will be able to achieve profitability.

We may require additional funding to grow our business, which funding may not be available to us on favorable terms or at all. If we do not obtain funding when we need it, our business will be adversely affected. In addition, if we have to sell securities in order to obtain financing, the rights of our current holders may be adversely affected.

Substantial expenditures have been required and may be required in the future to enable us to obtain the necessary additional vehicular engine family approvals from the EPA to accelerate our ability to sell our vehicular dual fuel solution in the United States. In addition, we may need additional capital to continue operations. There can be no assurance that we will generate revenues from operations or obtain sufficient capital on acceptable terms, if at all. Failure to generate such operating revenues or obtain such capital, if needed, would have an adverse impact on our financial position, our results of operations and our ability to continue as a going concern. We may also seek funding for the manufacturing and marketing of our products through strategic partnerships and other arrangements with corporate partners. There can be no assurance that such collaborative arrangements or additional funds will be available when needed, or on terms acceptable to us if at all. Operating and capital requirements during the next fiscal year and thereafter will vary based on a number of factors, including the level of sales and marketing activities for services and products. There can be no assurance that additional private or public finances, including debt or equity financing, will be available as needed, or, if available, on terms favorable to us. Any additional equity financing may be dilutive to stockholders and such additional equity securities may have rights, preferences or privileges that are senior to those of our existing Common Stock and/or Preferred Stock.

Improvement in our business depends on our ability to increase demand for our products and services.

We must substantially increase revenues from our American Power Group's business. Factors that could limit demand for our products and services include potential changes in the regulatory environment. If, for example, the EPA withdraws support for our domestic vehicular dual fuel testing initiative, further development of the domestic market for our vehicular products could be materially delayed. Other adverse events or economic or other conditions affecting markets for our products and services, potential delays in product development, product and service flaws, changes in technology and the availability of competitive products and services could also delay or limit demand for our products and services. There can be no assurance that our efforts will be successful, that all of our products will prove to meet the anticipated levels of approval or effectiveness, or that we will be able to obtain and sustain customers as well as distribution approval.

We rely on significant customers and relationships, the loss of one or more of which could adversely affect our operating results, financial condition and business prospects.

During the fiscal years ended September 30, 2013 and 2012, approximately 80% of our sales were derived from our dual fuel stationary solution for oil and gas applications and 20% was derived from our dual fuel vehicular applications. Three oil and gas stationary customers accounted for 34%, 21% and 12%, respectively, of our consolidated net sales in the fiscal year ended September 30, 2013, and one of those customers accounted for 54% of our consolidated net sales in the fiscal year ended September 30, 2012.

The loss of that customer could, at least on a short-term basis, have a material adverse effect on our operating results, financial condition and business prospects. Revenue in fiscal 2013 from the other two customers related to specific one-time conversions of multiple oil and gas high pressure fracturing engines as the result of new engine family approvals received during fiscal 2013. Therefore, we do not expect to receive significant recurring revenue from these two customers. Our operating plans assume significant growth in North American vehicular revenues, based in part on our relationship with WheelTime and its 18 members companies. The loss of our relationship with WheelTime and its members could, at least on a short-term basis, have a material adverse effect on our operating results, financial condition and business prospects.

We are exposed to risks related to technological obsolescence and competition.

We operate in competitive and evolving markets locally, nationally and globally. These markets are subject to rapid technological change and changes in demand. In seeking market acceptance, we will encounter competition from many sources, including other well-established and larger dominant original equipment providers such as CAT, Cummings, Detroit Diesel, Volvo and Mercedes as well as several other companies who offer dual fuel conversion solutions on both an invasive as well as non-invasive basis. Many of these competitors have substantially greater financial resources as well as substantially greater experience in conducting testing, manufacturing and marketing of products than we do. As a result, they may be able to adapt more quickly to new or emerging technologies, changes in customer requirements, or devote greater resources to the promotion and sale of their products and services. In addition, our competitors might succeed in developing or purchasing technologies and products that are more effective than those that we are developing or that would render our technology and products obsolete or noncompetitive. Competition could increase if new companies enter the markets in which we operate or our existing competitors expand their service lines.

We may not be able to protect our intellectual property rights adequately.

Our ability to compete is affected by our ability to protect our intellectual property rights. We rely on a single licensed patent, as well as on trademarks, copyrights, trade secrets, confidentiality procedures and licensing arrangements to protect our intellectual property rights. Despite these efforts, we cannot be certain that the steps we take to protect our proprietary information will be adequate to prevent misappropriation of our technology or protect that proprietary information. Companies in our industry often own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we gain increasing market share, the possibility of intellectual property rights claims against our licensed dual fuel technology could grow. Although the licensor is responsible for defending all claims against the licensed dual fuel technology, it may not have the resources to defend such claims adequately. Such claims, whether having merit or otherwise, could be time consuming and expensive to litigate or settle and could divert management resources and attention. No assurance can be given that, if challenged, our licensed patent or any other patents we may obtain will be found to be valid or enforceable, or that the patents of others will not have an adverse effect on our ability to do business.

Although our dual fuel technology is licensed from a related party, M&R Development, Inc., if we should default on the payment of royalties or other material terms of that license, the license can be terminated. Such termination would have a material adverse effect on our business and on our results of operations.

In addition, many of our distribution agreements require us to indemnify the distributor for third-party intellectual property infringement claims and may require that we pay the damages if there were an adverse ruling in any such claims and the licensor was unable to adequately indemnify us. If litigation is successfully brought by a third party against us and/or our licensor in respect of intellectual property, we may be required to cease distributing or marketing certain products or obtain licenses from the holders of the intellectual property at material cost, redesign affected products in such a way as to avoid infringing intellectual property rights, any or all of which could materially adversely affect our business, financial condition and results of operations. If those intellectual property rights are held by a competitor, we or the licensor may be unable to obtain the intellectual property at any price, which could also adversely affect our competitive position.

There is uncertainty relating to our ability to enforce our rights under the content partner agreements.

Several of our exclusive distribution agreements are with foreign entities and are governed by the laws of foreign jurisdictions. If a partner breaches such agreement, then we may incur the additional costs of determining our rights and obligations under the agreement and under applicable foreign laws, and enforcing the agreement in a foreign jurisdiction. In addition, some of the exclusive distribution agreements contain arbitration provisions that govern disputes under the agreements and there is uncertainty with respect to the enforceability of such arbitration provisions under the laws of certain foreign jurisdictions. If a dispute were to arise under an exclusive distribution agreement and the related arbitration provision was not effective, then we would be exposed to the additional costs of resolving the dispute through traditional legal avenues rather than through an arbitration process.

The creditworthiness of our distributors may be an ongoing concern.

We may not always be able to collect all funds owed to us by our distributors. Some distributors may experience financial difficulties which may adversely impact our collection of accounts receivable. We regularly review the collectability and creditworthiness of our distributors to determine an appropriate allowance for credit to such distributors. If our uncollectible accounts exceed that amount for which we have planned, this would adversely impact our operating results. We intend to minimize this concern with international customers by selling most of our products by way of advanced deposits and letters of credit or similar payment methods.

We depend on the manufacture and installation capabilities of third parties.

An important element of our strategy for the marketing and release of our products is to enter into various arrangements with distribution and installation entities such as our relationships with WheelTime and its member companies. The success and commercialization of our dual fuel products will be dependent, in part, upon our ability to enter into additional similar arrangements and upon the ability of these third parties to perform their responsibilities. Although we believe that parties to any such arrangements would have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources to be devoted to these activities may not be within our control. There can be no assurance that any such arrangements will be available on terms acceptable to us, if any at all, and that such parties will perform their obligations as expected, or that any revenue will be derived from such arrangements. If we are not able to enter into such arrangements, we could encounter delays in introducing our products into the market.

We assemble our dual fuel installation kits in-house after receiving components from outside vendors. The assembled kits are then installed by independent certified installers. Therefore, we may be dependent on contract manufacturers for the production of certain critical components for products as well as their installation. In the event that we are unable to obtain or retain the necessary components and services on acceptable terms, we may not be able to continue to commercialize and market our products as planned. There can be no assurance that we will be able to obtain adequate supplies of our products in a timely fashion at acceptable quality and prices, enter into arrangements for the manufacture of our products with manufacturers whose facilities and procedures comply with our requirements. There can be no assurance that such manufacturers will be able to adequately supply us with our product needs. Our dependence upon others for the manufacture of certain critical components may adversely affect our ability to develop and deliver products on a timely and competitive basis.

We are subject to federal, regional, state, local and foreign regulations which may impair our ability to sell our products in different jurisdictions, and more stringent regulations in the future may impair our ability to market our products.

Our dual fuel conversion business and operations are affected by various federal, regional, state, local and foreign laws, rules, regulations and authorities. The primary domestic governing body is the EPA which is responsible for monitoring and enforcing emissions standards and safety issues. All domestic dual fuel conversion systems are subject to the rules of the EPA, with the primary requirement being the addition of our dual fuel conversion system to an existing diesel engine does not negatively impact the current emission profile of the engine or the engine's original emission profile.

All vehicles and components on vehicles that operate on public highways must comply with the Federal Clean Air Act and meet specific EPA emission and safety guidelines or face anti-tampering infractions. Because our vehicular dual fuel system has not been previously EPA certified as a new system, due to the unique nature of our dual fuel technology and the fact our primary initial target market is older, out-of-warranty diesel vehicles, we had to demonstrate to the EPA that our technology has sound engineering design and does not degrade the emissions level of the model year that would be requested for commercialization.

In addition to our operations in the United States, we currently have in-country distributors in Africa, Australia, Canada and are intending to market our products and technologies in other international markets, including both industrialized and developing countries. Prior to marketing our dual fuel solution in countries outside the United States, we must ensure our technology is compliant with the appropriate in-country rules and regulations and there is no assurance our technology will comply with such rules and regulations.

Any new or revised government regulation that affects our dual fuel conversion business, whether at the foreign, federal, state, or local level, may increase our costs and the price of our products. As a result, these regulations could have a significant negative impact on our business, financial condition and results of operations.

Our success depends on the retention of our senior management and other key personnel.

Our success depends largely on the skills, experience and performance of our senior management. Our senior management consists of only two officers, our President/Chief Executive Officer, who has held that position for seven years, and our Chief Financial Officer, who has held that position for fifteen years. The loss of either member of our senior management could have a material adverse effect on our business. We maintain a key man insurance policy only on our President/Chief Executive Officer. In addition, in the event that either our President or Chief Financial Officer is terminated by us without cause, the officer will be entitled to receive severance payments equal to twelve months' salary and certain benefits. In the event we are required to make

these severance payments to our officers, it could have a material adverse effect on our results of operations for the fiscal period in which such payments are made.

In addition, to increase revenues, we will be required to hire additional sales and marketing officers and to develop a larger and more effective sales force. There can be no assurance that we will be able to hire, motivate and retain skilled marketing and sales personnel.

Seasonal factors may affect our quarterly operating results.

Seasonality may cause our total revenues to fluctuate. We may experience some seasonality in the winter months for the oil & gas industry and in the Hurricane Belt located in the Southeastern U.S., where critical care installations are usually not scheduled during the July-October time frame.

Inflation and changing prices may hurt our business.

We are generally exposed to the effects of inflation and changing prices. Because our dual fuel conversion technology replaces a certain percentage of diesel fuel with natural gas, we would be impacted by any material change in the net fuel savings between the two fuels (such as a decrease in diesel fuel prices and an increase in natural gas prices).

If we acquire other companies or businesses we will be subject to risks that could hurt our business.

A part of our business strategy may be based on future acquisitions or significant investments in businesses that offer complementary products and services. Promising acquisitions are difficult to identify and complete for a number of reasons. Any acquisitions we may complete may be made at a premium over the fair value of the net assets of the acquired companies and competition may cause us to pay more for an acquired business than its long-term fair market value. There can be no assurance that we will be able to complete future acquisitions on terms favorable to us or at all. In addition, we may not be able to integrate any future acquired businesses, at all or without significant distraction of management into our ongoing business. In order to finance acquisitions, it may be necessary for us to issue shares of our capital stock to the sellers of the acquired businesses and/or to seek additional funds through public or private financings. Any equity or debt financing, if available at all, may be on terms which are not favorable to us and, in the case of an equity financing or the use of our stock to pay for an acquisition, may result in dilution to our existing stockholders.

As we grow, we are subject to growth related risks.

We are subject to growth-related risks, including capacity constraints and pressure on our internal systems and personnel. In order to manage current operations and any future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain employees. We may be unable to manage such growth effectively. Our management, personnel or systems may be inadequate to support our operations, and we may be unable to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth. Any such failure could have a material adverse impact on our business, operations and prospects. In addition, the cost of opening new facilities and the hiring of new personnel for those facilities could significantly decrease our profitability, if the new facilities do not generate sufficient additional revenue.

We incur substantial costs to operate as a public reporting company.

We incur substantial legal, financial, accounting and other costs and expenses to operate as a public reporting company. We believe that these costs are a disproportionately larger percentage of our revenues than they are for many larger companies, and they contribute significantly to our operating losses. In addition, the rules and regulations of the Securities and Exchange Commission impose significant requirements on public companies, including ongoing disclosure obligations and mandatory corporate governance practices. Our limited senior management and other personnel need to devote a substantial amount of time to ensure ongoing compliance with these requirements. Our Common Stock is currently quoted on the OTC Markets Group's OTCQB tier. OTC Markets Group imposes no specific quotation requirements for its OTCQB tier other than that issuers must be current in their reporting to the Securities and Exchange Commission. If we are successful in listing our stock for trading on a national securities exchange or having our stock quoted on the Nasdaq Stock Market, we will be subject to additional disclosure and governance obligations. There can be no assurance that we will continue to meet all of the public company requirements to which we are subject on a timely basis, or at all, or that our compliance costs will not continue to be material.

Risks Related to the Securities Market and our Common Stock

Our stock price may be volatile, which could result in substantial losses for our shareholders.

Our Common Stock is thinly traded and an active public market for our stock may not develop. Consequently, the market price of our Common Stock may be highly volatile. Additionally, the market price of our Common Stock could fluctuate significantly in response to the following factors, some of which are beyond our control:

- we are traded on the OTC Market's Group's OTCQB;
- changes in market valuations of similar companies;
- announcements by us or by our competitors of new or enhanced products, technologies or services or significant contracts, acquisitions, strategic relationships, joint ventures or capital commitments;
- regulatory developments;
- additions or departures of senior management and other key personnel;
- deviations in our results of operations from the estimates of securities analysts; and
- future issuances of our Common Stock or other securities.

We have options, warrants and Convertible Preferred Stock currently outstanding. Their exercise and/or conversion will cause dilution to existing and new shareholders.

As of May 27, 2014, we had options and warrants outstanding to purchase 30,358,294 additional shares of Common Stock. These reserved shares relate to the following: 3,950,000 shares for issuance upon exercise of awards granted under our 1996 Non-Employee Director Stock Option Plan and 2005 Stock Option Plan, and 27,308,294 shares for issuance upon exercise of other stock options and stock purchase warrants. In addition, at that date, we had Convertible Preferred Stock which is convertible into 23,536,120 shares of Common Stock.

The exercise of these options and warrants and the conversion of the Convertible Preferred Stock will cause additional shares of Common Stock to be issued, resulting in dilution to investors and our existing stockholders. As of May 27, 2014, approximately 47 million shares of our common stock were eligible for sale in the public market exclusive of the options, warrants and Convertible Preferred Stock noted above.

Our directors, executive officers and principal stockholders own a significant percentage of our shares, which will limit the ability of other shareholders to influence corporate matters.

Our directors, executive officers and other principal stockholders owned approximately 33% of our outstanding Common Stock on an as-converted basis as of September 30, 2013. Accordingly, these stockholders could have a significant influence over the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and also could prevent or cause a change in control. The interests of these stockholders may differ from the interests of our other stockholders. Third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership.

We have never paid dividends on our Common Stock and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our Common Stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our Common Stock will be the shareholders' sole source of gain for the foreseeable future. The terms of the 10% Convertible Preferred Stock restrict our ability to pay dividends on our Common Stock if the dividends due on the 10% Convertible Preferred Stock are unpaid.

Anti-takeover provisions in our charter documents and Delaware law could discourage potential acquisition proposals and could prevent, deter or delay a change in control of our company.

Certain provisions of our Restated Certificate of Incorporation and By-Laws could have the effect, either alone or in combination with each other, of preventing, deterring or delaying a change in control of our company, even if a change in control would be beneficial to our stockholders. Delaware law may also discourage, delay or prevent someone from acquiring or merging with us.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995, or the Litigation Reform Act. These forward looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events, are subject to certain risks, uncertainties and assumptions, and are not guaranties of future performance. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended or using other similar expressions.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this prospectus. These statements include, without limitation, statements relating to uncertainties associated with our ability to return to sustained profitability and to raise additional working capital and capital to fund and grow our business, our ability to increase demand for our products and services, our reliance on significant customers and relationships, our ability to compete effectively, our ability to protect our intellectual property rights, our ability to enforce our rights under content partner agreements, our ability to collect funds owed to us by our distributors, our ability to depend on the manufacturing and installation abilities of third parties, our ability to retain our senior management and other key personnel and to attract additional management and key employees, our ability to sell our products in different jurisdictions, our ability to acquire and integrate other businesses, our ability to operate as a public company, our belief that our stock price may continue to be volatile, our belief that options, warrants and convertible preferred stock will cause dilution to our shareholders, our belief that, because our directors, officers and principal stockholders own a significant percentage of our share, our shareholders’ ability to influence corporate matters will be limited, our belief that we will not pay any cash dividends in the foreseeable future, and our belief that anti-takeover provisions in our charter documents in Delaware law could prevent, deter or delay a change in control of our company.

Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized, nor can there be any assurance that we have identified all possible issues which we might face. In addition, assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditure or other budgets, which may in turn affect our financial position and results of operations. For all of these reasons, the reader is cautioned not to place undue reliance on forward-looking statements contained herein, which speak only as of the date hereof. We assume no responsibility to update any forward-looking statements as a result of new information, future events, or otherwise except as required by law.

USE OF PROCEEDS

We will not receive any proceeds from the sale of Common Stock by the selling security holders. All of the net proceeds from the resale of our Common Stock will go to the selling security holders as described below in the sections entitled “Selling Security Holders” and “Plan of Distribution.” We have agreed to bear the expenses relating to the registration of the Common Stock for the selling security holders.

DETERMINATION OF OFFERING PRICE

The prices at which the shares of Common Stock covered by this prospectus may actually be sold will be determined by the prevailing public market price for shares of Common Stock, by negotiations between the selling security holders and buyers of our Common Stock in private transactions or as otherwise described in “Plan of Distribution.”

DILUTION

The selling security holders are offering for resale shares of Common Stock underlying certain outstanding shares of 10% Convertible Preferred Stock and shares of Common Stock issued or issuable within 18 months after April 30, 2012 in lieu of the cash payment of dividends on such preferred stock. To the extent such preferred stock is converted and/or such dividends are paid in shares of Common Stock in lieu of cash payments, existing shareholders will experience dilution to their ownership interests in our company. The resale of the shares of the current outstanding Common Stock under this prospectus will not dilute the ownership interests of existing stockholders.

SELLING SECURITY HOLDERS

Selling Security Holders

The Common Stock being offered for resale by the selling security holders consists of shares of Common Stock which may be acquired upon conversion of shares of preferred stock issued in our private placement completed on April 30, 2012 and shares of stock issued or issuable in lieu of the cash payment of dividends on such preferred stock. Please see the “Prospectus Summary” for a description of the private placement. The table below includes the following shares of Common Stock:

10,346,585 shares that have been, or may be, acquired upon the conversion of shares of our 10% Convertible Preferred Stock, which preferred stock was issued to 15 investors in a private placement completed on April 30, 2012; and

1,206,697 shares issued between June 30, 2012 and January 31, 2014 in lieu of the cash payment of dividends on the preferred stock in accordance with the terms of the Certificate of Designation governing such preferred stock.

The following table sets forth the name of each selling security holder, the number of shares of Common Stock beneficially owned by each of the selling security holders as of May 27, 2014 and the number of shares of Common Stock being offered by the selling security holders. The following table has been updated to reflect transfers of 10% Convertible Preferred Stock and warrants to purchase shares of Common Stock which occurred after the closing of the private placement. The following table does not include security holders who failed to provide the Company with information regarding shares of Common Stock beneficially owned by such security holders.

The selling security holders may offer all or part of the shares for resale from time to time. However, the selling security holders are under no obligation to sell all or any portion of such shares nor are the selling security holders obligated to sell any shares immediately upon effectiveness of this prospectus. All information with respect to share ownership has been furnished by the selling security holders.

Name of Selling Security Holder (1)	Maximum Number of Shares That May be Acquired Upon Conversion of Preferred Stock	Shares Issued upon Conversion of Preferred Stock and Payment of Dividends on the Preferred Stock	Maximum Number of Shares That Have Been or May be Acquired Upon Exercise of Warrants	Total Number of Shares Beneficially Owned Before Offering (2)	Maximum Number of Shares Being Offered	Total Number of Shares Beneficially Owned After Offering (3)	Percentage of Common Stock Beneficially Owned After Offering (3)	
Next View Capital LP (4)	2,753,333	0	50,000	2,803,333	1,153,551	1,649,782	3.3	%
Objective Investments LLC (5)	216,666	4,954	216,667	438,287	91,545	346,742	0.7	%
Joshua Hartman	116,666	3,455	116,666	236,787	49,294	187,493	0.4	%
Phillip Sylvester	666,666	56,400	666,666	1,389,732	281,678	1,108,504	2.2	%
Associated Private Equity LLC (6)	3,333,333	23,686	3,333,333	6,690,352	1,408,393	5,281,959	9.8	%
Chadds Ford LLC (6)	166,666	1,183	166,666	334,515	70,149	264,366	0.5	%
Thomas A. Schmitt & Nancy T. Schmitt Jt Ten (7)	133,333	6,355	133,333	273,021	56,335	216,686	0.4	%
Todd E. Benson (7)	33,333	1,632	33,333	68,298	14,084	54,214	0.1	%
Dave H. Williams IRA (7)	133,333	4,938	133,333	271,604	56,335	215,269	0.4	%
Dave H. Williams (7)	333,334	12,347	333,334	679,015	140,839	538,176	1.1	%
Mark D. Wyckoff (7)	33,333	1,235	33,333	67,901	14,084	53,817	0.1	%
Ronald H. Muhlenkamp	2,333,333	229,629	2,333,333	4,896,295	985,875	3,910,420	7.4	%
	3,333,333	328,586	3,333,333	6,995,252	1,408,393	5,586,859	10.4	%

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SMC Select Co-Investment

Fund I, LP (8)

SMC Reserve Fund II, LP (8)	5,333,333	246,870	5,333,333	10,913,536	2,253,429	8,660,107	15.6	%
SMC Reserve Fund II Offshore, LP (8)	1,333,333	61,717	1,333,333	2,728,383	563,356	2,165,027	4.2	%
SMC Employees Partnership (8)	1,633,333	161,007	1,633,333	3,427,673	690,113	2,737,560	5.3	%
Ironman PI Fund II (QP), L.P. (9)	991,666	558,786	1,666,666	3,217,118	698,275	2,518,843	4.8	%
Cranshire Capital Master Fund, Ltd. (10)	0	0	500,000	500,000	211,258	288,742	0.6	%

In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Company Common Stock over which such person has voting or investment power and of which such person has the right to acquire beneficial ownership within 60 days of the date (1) hereof. The table includes shares owned by spouses, other immediate family members, in trust, shares held in retirement accounts or funds for the benefit of the named individuals, shares held as restricted stock and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power.

Under the terms of the preferred stock and warrants issued in connection with the private placement, a selling security holder may not convert the preferred stock or exercise such warrants to the extent (but only to the extent) (2) such selling security holder or any of its affiliates would beneficially own more than 4.99% of our Common Stock unless such selling security holder provides no less than 61 days prior notice to us of its election to increase the limitation on beneficial ownership. For purposes of the table above, we have disregarded these limitations.

(3) Assumes that all shares of Common Stock registered for resale by this prospectus have been sold.

(4) Stewart R. Flink possesses voting power and investment power over all securities included in this table which are held by Next View Capital LP.

Objective Investments LLC transferred the following securities to Joshua Hartman: (i) 4.6666 shares of 10% Convertible Preferred Stock which are convertible into 116,666 shares of Common Stock; (ii) a warrant to purchase 116,666 shares of Common Stock; and (iii) 2,747 shares of Common Stock. The table above has been (5) updated to include the shares beneficially owned by Joshua Hartmann and reduce the number of shares beneficially owned by Objective Investments LLC. Ross G. Kaminsky possesses voting power and investment power over all securities included in this table which are held by Objective Investments LLC.

Associated Private Equity LLC transferred the following securities to Chadds Ford LCC: (i) five shares of 10% Convertible Preferred Stock which are convertible into 125,000 shares of Common Stock; (ii) a warrant to purchase 125,000 shares of Common Stock; (iii) 1,183 shares of Common Stock; and (vi) the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 1.6666 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock. The table (6) above has been updated to include the shares beneficially owned by Chadds Ford LLC and reduce the number of shares beneficially owned by Associated Private Equity LLC. Neil Braverman, a member of our Board of Directors, possesses voting power and investment power over all securities included in this table which are held by Associated Private Equity LLC. Jeanne Braverman possesses voting power and investment power over all securities included in this table which are held by Chadds Ford LLC. Ms. Braverman is the spouse of Mr. Neil Braverman, a member of our Board of Directors.

(7) TS World Development Master Fund Ltd transferred the following securities: (i) to Thomas A. Schmitt & Nancy T. Schmitt Jt. Ten - four shares of 10% Convertible Preferred Stock which are convertible into 100,000 shares of Common Stock; a warrant to purchase 100,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 1.33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; (ii) to Todd Benson - one share of 10% Convertible Preferred Stock which is convertible into 25,000 shares of Common Stock; a warrant to purchase 25,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to .33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; (iii) to David H. Williams IRA - four shares of 10% Convertible Preferred Stock which are convertible into 100,000 shares of Common Stock; a warrant to

purchase 100,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 1.33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; (iv) to David H. Williams - ten shares of 10% Convertible Preferred Stock which are convertible into 250,000 shares of Common Stock; a warrant to purchase 250,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 3.33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; and (v) to Mark D. Wyckoff - one share of 10% Convertible Preferred Stock which is convertible into 25,000 shares of Common Stock; a warrant to purchase 25,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to .33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock. The table above has been updated to include the shares beneficially owned by the transferees named in the foregoing sentence and reduce the number of shares beneficially owned by TS World Development Master Fund Ltd. Thomas A. Schmitt possesses voting power and investment power over all securities included

in this table which are held by TS World Development Master Fund Ltd. David H. Williams possesses voting power and investment power over all securities included in this table which are held by David H. Williams IRA.

(8) On May 15, 2012, each of SMC Select Co-Investment Fund I, LP, SMC Reserve Fund II, LP, SMC Reserve Fund II Offshore, LP and SMC Employees Partnership provided notice to us of its election to increase the limitation on beneficial ownership under the terms of the preferred stock and the warrants issued in connection with the private placement to 100% of our common stock. John L. Steffens and Gregory P. Ho possess voting power and investment power over all securities included in this table which are held by each of SMC Select Co-Investment Fund I, LP, SMC Reserve Fund II, LP, SMC Reserve Fund II Offshore, LP and SMC Employees Partnership.

(9) G. Bryan Dutt possesses voting power and investment power over all securities included in this table which are held by Ironman PI Fund II (QP), L.P.

(10) Cranshire Capital Advisors, LLC (“CCA”) is the investment manager of Cranshire Capital Master Fund, Ltd. (“Cranshire Master Fund”) and has voting control and investment discretion over securities held by Cranshire Master Fund. Mitchell P. Kopin, the president, the sole member and the sole member of the Board of Managers of CCA, has voting control over CCA. As a result, each of Mr. Kopin and CCA may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the securities held by Cranshire Master Fund.

Except as set forth below under “Board Representation of Certain Selling Security Holders” and other than with respect to acquisition of the securities from us, none of the selling security holders has, or within the past three years has had, any position, office, or other material relationship with us.

Board Representation of Certain Selling Security Holders

The Certificate of Designation establishing the preferences and other special rights of our 10% Convertible Preferred Stock provides that the holders of such preferred stock, voting as a separate class, are entitled to elect three members of our Board of Directors. Pursuant to a voting agreement entered into on April 30, 2012 by the purchasers of such preferred stock on April 30, 2012, (a) Spring Mountain Capital (“Spring Mountain”) has a contractual right to designate two members of our Board of Directors for as long as selling security holders affiliated with Spring Mountain own any shares of such preferred stock; and (b) Associated Private Equity, LLC (“Associated”) has a contractual right to designate one member of our Board of Directors for as long as selling security holders affiliated with Associated own any shares of such preferred stock. In connection with these rights, Spring Mountain designated Mr. Raymond L.M. Wong and Mr. Jamie Weston, and Associated designated Mr. Neil Braverman to serve on our Board of Directors.

PLAN OF DISTRIBUTION

Each selling security holder and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the OTC Markets Group’s OTCQB or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling security holder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
-

in transactions through broker dealers that agree with the selling security holders to sell a specified number of such securities at a stipulated price per security;
through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

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a combination of any such methods of sale; or
any other method permitted pursuant to applicable law.

The selling security holders may also sell securities under Rule 144 under the Securities Act of 1933, as amended, if available, rather than under this prospectus.

Broker dealers engaged by the selling security holders may arrange for other brokers dealers to participate in sales. Broker dealers may receive commissions or discounts from the selling security holders (or, if any broker dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the selling security holders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The selling security holders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The selling security holders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling security holders and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling security holder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the selling security holders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because selling security holders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. The selling security holders have advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the resale securities by the selling security holders.

We agreed to keep this registration effective until the earlier of (i) the date on which the securities may be resold by the selling security holders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) the date when all of the securities have been sold pursuant to this prospectus or pursuant to Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the Common Stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling security holders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the Common Stock by the

selling security holders or any other person. We will make copies of this prospectus available to the selling security holders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

DESCRIPTION OF BUSINESS

General

Effective August 1, 2012, our company changed its name from GreenMan Technologies, Inc. to American Power Group Corporation. The trading symbol for our Common Stock on the OTCQB also changed from “GMTI” to “APGI.” American Power Group (together with its subsidiaries we, “us” or our”) was originally founded in 1992 and has operated as a Delaware corporation since 1995. Prior to August 1, 2011, American Power Group was comprised of two business segments, the dual fuel conversion operations (American Power Group) and the molded recycled rubber products operations (Green Tech Products). As described below, our business changed substantially in August 2011, when we sold substantially all of the assets of our molded recycled rubber products operations.

Recent Developments

Distributor Agreement

In November 2012, we signed a National Distributor and Master Marketing Agreement with WheelTime Network LLC, a truck service network with 18 member companies providing installation and warranty support through nearly 200 service centers, 2,800 service bays, 3,500 factory-trained technicians and 30 training facilities located across the United States and Canada. Under the agreement, WheelTime endorsed American Power Group's dual fuel conversion technology to its 18 member companies and encouraged each member to become a certified installer and authorized dealer of American Power Group's Vehicular Turbocharged Natural Gas Systems. As of September 30, 2013, all of WheelTime's 18 member companies have agreed to become non-exclusive dealers and installers of our dual fuel technology. We believe that this relationship provides us the opportunity to accelerate the national rollout of our vehicular dual fuel through access to a large national network of qualified diesel engine personnel as well as testing/installation equipment.

In addition, we issued WheelTime a warrant to purchase 1,540,000 shares of our Common Stock at an exercise price of \$.55 per share. The warrant is immediately exercisable with respect to 100,000 shares of Common Stock with the remaining shares becoming exercisable in increments of 50,000 shares upon the execution of a certified installer agreement and a dealer agreement by each of the 18 members during the first year after the original issue date of the Warrant. An additional 30,000 warrants would become exercisable for each member that agreed to become an exclusive dealer by December 31, 2013. No member chose to become exclusive and therefore warrants to purchase 540,000 shares of our Common Stock terminated. The remaining warrants will expire on December 31, 2017.

Glider Conversions

In March 2013, we introduced the nation's first natural gas dual fuel glider kit. The term glider kit refers to a truck that is built from the “ground up” with a new frame, cab, electrical system and front axle but utilizing two of the following three rebuilt components: (1) engine, (2) transmission, or (3) rear axle. As a result, the initial purchase price is typically 25% lower than a new diesel truck and maintenance costs are typically 70% less compared to new truck. In August 2013 we received an \$800,000 order from Ervin Equipment of which approximately 70% is for anticipated glider conversions.

Financing Arrangements

In April 2012, we completed the following actions.

Private Placement

On April 30, 2012, we completed a private placement in which we entered into a securities purchase agreement with certain accredited investors and sold 821.6 units for gross proceeds to us of \$8,216,000. Each unit had a purchase price of \$10,000 and consisted of one share of 10% Convertible Preferred Stock, which we refer to in this prospectus as 10% Preferred Stock, and one warrant to purchase 25,000 shares of Common Stock.

The 10% Preferred Stock has a ten percent annual dividend, payable quarterly in shares of Common Stock, provided that if we fail to meet certain conditions set forth in the Certificate of Designations we may be required to pay such dividends in cash. As of the date of issuance, each share of 10% Preferred Stock is convertible, at any time at the option of the holder, into 25,000 shares of Common Stock at a conversion price of \$0.40 per share. The conversion price is subject to adjustment in the event we issue shares of Common Stock or other securities convertible into or

exchangeable for Common Stock at a price per share which is less than the conversion price of the 10% Preferred Stock. In addition to the conversion right described above, we may require the holders of the 10% Preferred Stock to convert their shares into shares of Common Stock in the event the volume weighted average price of our Common Stock exceeds certain threshold amounts.

The holders of the 10% Preferred Stock vote with the Common Stock on all matters presented to the holders of the Common Stock, other than the election of certain directors, on an as converted into Common Stock basis. The holders of 10% Preferred Stock voting as a separate class are entitled to elect three members of the Board of Directors. In connection with the exercise of that right, Dr. Allen Kahn and Thomas Galvin resigned from the Board of Directors following the completion of the private placement and the Board of Directors appointed Neil Braverman, Dr. Aviel Faliks and Jamie Weston as directors. Dr. Faliks left the Board of Directors in October 2013 and was replaced by Raymond L.M. Wong. The number of directors elected by the holders of our Common Stock, voting as a separate class, was reduced from four to three effective March 31, 2013. Kevin Tierney, Sr. resigned from the Board of Directors on January 10, 2013 in anticipation of that change. The holders of the 10% Preferred Stock also have certain rights to elect additional members of the Board of Directors in the event we fail to make the dividend payments as required by the terms of the 10% Preferred Stock. In addition, the approval of the holders of at least 67% of the outstanding 10% Preferred Stock will be required before we may take certain actions.

The holders of the 10% Preferred Stock have priority in the event of a liquidation of our company over the outstanding shares of Common Stock. Upon liquidation, dissolution or winding up of our company, whether voluntary or involuntary, before any distribution or payment is made to the holders of the Common Stock, the holders of the 10% Preferred Stock are entitled to be paid out of the assets of the company an amount equal the stated value of the 10% Preferred Stock, which is initially \$10,000 per share, plus any accrued, but unpaid, dividends.

In addition, in the event we fail to take certain actions regarding the registration of the Common Stock issuable upon conversion of the 10% Preferred Stock or we take certain other actions affecting the 10% Preferred Stock, the holders of the 10% Preferred Stock may require us to redeem such preferred stock at a price to be determined at the time of redemption in accordance with the terms of the 10% Preferred Stock.

Each investor also received a warrant to purchase a number of shares of Common Stock equal to the number of shares into which the 10% Preferred Stock purchased by such investor is convertible as of the date of issuance of the warrant. The warrants have an exercise price of \$0.50 per share and may be exercised at any time during a five-year period beginning October 30, 2012. The warrants are subject to adjustment in the event we issue shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share which is less than the exercise price of the warrants and upon other customary terms.

In connection with the private placement, we granted the investors the right, exercisable at any time before March 31, 2013, to invest up to \$2.7 million to buy additional units under the same terms described above. As of March 31, 2013, all investors have exercised their additional investment rights to purchase a total of 273.9 units, each unit consisting of one share of 10% Preferred Stock and one warrant to purchase 25,000 shares of Common Stock, for gross proceeds of \$2,739,000. The shares of Common Stock underlying these securities are not being registered for resale under this prospectus. Of the \$8,216,000 in gross proceeds from the private placement, not including the gross proceeds received upon the exercise of the additional investment rights, our net proceeds after fees and expenses were approximately \$7,500,000. We used approximately \$495,000 of the net proceeds to retire short term debt and intend to use the balance to advance our dual fuel technologies business.

In connection with the private placement, we entered into a registration rights agreement with the holders of the 10% Preferred Stock. Pursuant to the registration rights agreement, we were required to file a registration statement with the Securities and Exchange Commission on or before May 30, 2012, to register for resale the shares of Common Stock issuable upon the conversion of the 10% Preferred Stock and upon the exercise of the warrants and to use commercially reasonable best efforts to cause the registration statement to be declared effective. The registration rights agreement requires that we pay to each investor liquidated damages equal to two percent of the amount invested by such investor in the private placement in the event we fail take certain actions affecting the registration of the shares of Common Stock or the ability of the investors to sell shares of Common Stock pursuant to Rule 144 of the Securities Act of 1933, as amended. This prospectus is a part of the registration statement we filed pursuant to the registration rights agreement.

In connection with the private placement, we entered into a voting agreement with the holders of the 10% Preferred Stock. Pursuant to the voting agreement, the investors have agreed to vote their shares of 10% Preferred Stock to elect: (a) two individuals to the Board of Directors designated by Spring Mountain Capital, for as long as Spring

Mountain Capital or its affiliates owns shares of 10% Preferred Stock; and (b) one individual to the Board of Directors designated by Associated Private Equity LLC, for as long as Associated Private Equity LLC or its affiliates owns shares of 10% Preferred Stock.

Amendments to Certain Related Party Promissory Notes

On April 27, 2012, we entered into amendments to promissory notes in the aggregate principal amount of \$473,500 held by Charles Coppa, our Chief Financial Officer; Lyle Jensen, a member of our Board of Directors and our President and Chief Executive Officer; and Dr. Allen Kahn, who was then a member of our Board of Directors. These amendments reduced the interest rates of the promissory notes to 8% per annum and extended the maturity dates of the notes to April 30, 2014. On April 30, 2014, we further amended the promissory note originally issued to Dr. Kahn, now held by the Allen Kahn Revocable Trust AKA Allen Kahn,

M.D. Revocable Trust, to extended the maturity date of the original note to September 30, 2014, to modify the payment provisions of the note and to waive any prior defaults under the note; and we amended the promissory notes issued to Messrs. Jensen and Coppa to extended the maturity date of the original notes to September 30, 2014 and to waive any prior defaults under these notes.

Amendment to Patent License and Note

On April 27, 2012, we entered into an amendment to the exclusive patent license agreement dated June 17, 2009, under which we license certain dual fuel technology from M & R Development, Inc. The amendment amends the royalty provisions in the license to modify the calculation of the royalty payments and to amend the timing of the royalty payments. Under the provisions of this amendment, effective April 1, 2012, the monthly royalty amount due to M&R will be the lesser of 10% of net sales or 30% of pre-royalty EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). No royalties will be due if cumulative EBITDA is less than zero. M&R also agreed to waive any prior defaults under the license. In addition, we amended the amended and restated promissory note issued to American Power Group by M&R on December 1, 2009 to extend the maturity of the note until February 15, 2015 and to defer all interest and principal payments due under the note during calendar 2012. Thereafter, the aggregate principal amount due under the note will be paid in eight equal quarterly payments plus interest.

Extension of Iowa State Credit Facility

On April 25, 2012, Iowa State Bank agreed to extend the maturity of American Power Group's working capital line of credit to April 25, 2013 and increased the borrowing limits under the facility to \$2.25 million. On December 12, 2012, Iowa State Bank agreed to further extend the maturity of American Power Group's working capital line of credit to December 31, 2013. In December 2013, Iowa State Bank extended the maturity of our \$2,250,000 credit facility from December 31, 2013 to April 1, 2015, increased our borrowing limit to \$2.5 million and expanded our collateral base to include certain fixed assets which will provide more working capital availability under the credit facility. The other terms and conditions of the credit facility remain unchanged.

Convertible Debenture Conversions

As a condition to the closing of the private placement on April 30, 2012, the investors required that outstanding convertible promissory notes be converted into shares of Common Stock effective as of and immediately prior to the closing. At or prior to the closing, holders of convertible promissory notes in the aggregate principal amount of \$2,985,000 converted such principal, together with interest accrued thereon, into approximately 6,842,955 shares of Common Stock.

U.S. Vehicular Rollout Initiative

In April 2011, the Environmental Protection Agency announced it had amended its alternative fuel conversion regulations for light, medium and heavy-duty vehicles. Under the new regulations, testing and compliance procedures differ based on the age category of the vehicle or engine that is being converted: (1) new or relatively new; (2) intermediate age ("IUL"), or (3) outside useful life ("OUL"). All conversion manufacturers seeking exemption must demonstrate compliance, but the requirements differ among age categories.

During fiscal 2013, we were notified by the EPA of an additional 360 approvals for various OUL vehicular engine families. As of May 27, 2014, we had an industry-leading 553 OUL vehicular engine family approvals.

Products and Services

Our American Power Group's patented dual fuel conversion system is a unique external fuel delivery enhancement system that converts existing diesel engines into more efficient and environmentally friendly engines that have the flexibility, depending on the circumstances, to run on:

- Diesel fuel and compressed natural gas (CNG) or liquefied natural gas (LNG);
- Diesel fuel and pipeline gas, well-head gas or approved bio-methane; or
- 100% diesel fuel.

Our proprietary technology seamlessly displaces up to 75% of normal diesel fuel consumption with various forms of natural gas with the average displacement ranging from 40% to 65%. The energized fuel balance between the two fuels is maintained with a patented control system ensuring the engines operate to Original Equipment Manufacturers' (OEM) specified temperatures and pressures with no loss of horsepower. Installation requires no engine modification, unlike the more expensive fuel injected alternative fuel systems in the market.

By displacing highly polluting and expensive diesel fuel with inexpensive, abundant and cleaner burning natural gas, a user can:

• Reduce fuel and operating costs by 15% to 35%;

• Reduce toxic emissions such as nitrogen oxide (NOX), carbon monoxide (CO) and fine particulate emissions; and

• Enhance the engine's operating life, since natural gas is a cleaner burning fuel source.

Primary end market applications include both primary and back-up diesel generators as well as heavy-duty vehicular diesel engines.

Manufacturing/Processing

Our dual fuel conversion enhancement system is configured by our internal engineering staff based on customer engine specifications and then modeled through Computational Fluid Dynamics Analysis to scientifically determine the optimum mixture of diesel and natural gas prior to final installation. All components, including several proprietary patented components, are purchased from external sources and currently assembled into installation kits at our Algona, Iowa location and then delivered on site for installation. All installations are managed by an American Power Group lead team or certified installer that completes final testing and commissioning of the diesel engines.

Raw Materials

Our dual fuel conversion components, including several proprietary components, are purchased from well-known automotive parts suppliers as off-the-shelf components. We believe these suppliers are able to support the scalability of our business. While we believe our dual fuel conversion operations have access to sufficient components for the foreseeable future, management is currently identifying multiple potential sources for critical components to reduce the likelihood that supply issues could negatively impact our business.

Customers

Our dual fuel technology upgrade is ideally suited for the large domestic and international installed base of both stationary and vehicular diesel engines. The stationary market includes primary and backup diesel power generators for oil & gas drilling rigs, shale gas recovery pumps, hospitals, cold storage warehouses, data management centers, government and manufacturing facility applications. Vehicular applications include corporate and private route fleets, long haul logistics fleets, refuse haulers, public transit and government vehicles.

The EPA estimates there are 20 million diesel engines operating in the U.S., with an estimated 13 million used in vehicular applications and 7 million used in stationary generator applications. Today our primary vehicular market is the Class 8 Heavy Duty vehicles operating in the U.S. which is estimated to be 3.5 million vehicles. We believe the number of available international stationary and vehicular diesel engines is significantly higher than the U.S. market.

Sales and Marketing

Our dual fuel conversion operations address the alternative fuel market in three distinct segments: (1) North American stationary, (2) North American vehicular and (3) international. To address these markets, we have put in place a sales organization consisting of direct sales, exclusive dealers/certified installers, non-exclusive dealer/installer agreements with the 18 WheelTime members, sales representatives, and in-country international distributors, which in most instances are large, well-known companies. We currently have two domestic exclusive dealers/certified installers, and exclusive distributors in four countries that market and distribute our products. We are continuously seeking additional international distribution partners to expand our distribution network.

Competition

Under certain conditions it is not cost effective or technologically feasible to convert a diesel engine to operate either entirely or partially on an alternative fuel. Emission standards sometimes dictate the use of highly sophisticated technology that sometimes cannot be easily retrofitted onto an engine and/or are cost prohibitive. Under those situations, American Power Group offers customers a cost effective solution which can be used in heavy duty trucks, generators and other stationary industrial engines. As described above, our patented dual fuel conversion system is an external fuel delivery enhancement system that requires no engine modifications and can run on a combination of diesel fuel and natural gas or only diesel fuel, depending on the circumstances.

The primary alternative fuel solutions available to existing diesel engine operators are:

• **New Engines** - replace existing diesel engines with new 100% dedicated natural gas burning engines. This is usually a more expensive solution and available in only new engines.

• **Invasive retrofits** - an existing diesel engine can be converted to run exclusively on natural gas or some other type of fuel such as propane. The invasive solution tends to be a higher priced solution than dual fuel because the engine must be totally disassembled and re-configured to run exclusive on the new fuel.

• **Non-Invasive retrofits** - are solutions, similar to ours, where no major changes to the existing diesel engine are required.

Our solution uses software to manage the introduction of natural gas under negative pressure to the engine's turbo charger, thus eliminating the need for costly and maintenance-prone fuel injectors and therefore making our solution more cost effective than others. In addition, we believe that our solution has a more universal design than others and therefore is applicable to a wider range of engine models and sizes than our competitor's solutions currently are. Today, our primary focus is on upgrading the installed base of existing diesel engines. We believe our dual fuel conversion technology upgrade is ideally suited for the large

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domestic and international installed base of both stationary and vehicular diesel engines, which is estimated to be in the millions of units.

Government Regulation

Our dual fuel conversion business and operations are affected by various federal, regional, state, local and foreign laws, rules, regulations and authorities. The primary domestic governing body is the EPA, which is responsible for monitoring and enforcing emissions standards and safety issues. All domestic dual fuel conversion systems are subject to the rules of the EPA, with the primary requirement being the addition of our dual fuel conversion system to an existing diesel engine does not negatively impact the current emission profile of the engine or the engine's original emission profile.

All vehicles and components on vehicles that operate on public highways must comply with the Federal Clean Air Act and meet specific EPA emission and safety guidelines. Because our vehicular dual fuel system has not been previously EPA certified as a new system, due to the unique nature of our dual fuel technology and the fact our primary initial target market is older, out-of-warranty diesel vehicles, we had to demonstrate to the EPA that our technology has sound engineering design and does not degrade the emissions level of the model year that would be requested for commercialization.

In April 2011, the EPA announced it had amended its alternative fuel conversion regulations for light, medium and heavy-duty vehicles. The new regulations introduced new flexibilities for all clean alternative fuel converters and expand compliance options for certain categories of conversions building upon the concept that it is appropriate to treat conversions differently based on the age of the vehicle or engine being converted. Previously, EPA regulations required vehicle and engine conversion systems to be installed after receiving a certificate of conformity which provided a regulatory exemption from potential tampering charges. Under the new regulations, testing and compliance procedures differ based on the age category of the vehicle or engine that is being converted: 1) new or relatively new; 2) intermediate age ("IUL"), or 3) outside useful life ("OUL"). All conversion manufacturers seeking exemption must demonstrate compliance, but the requirements differ among age categories. Our initial focus has been on obtaining approval for vehicle families within the OUL category, as the testing requirements are less stringent than those for IUL category.

In fiscal 2012, we obtained 89 EPA approvals for various OUL vehicular engine families. During fiscal 2013 we were notified by the EPA of an additional 360 EPA approvals for various OUL vehicular engine families. As of May 27, 2014, we had an industry leading 553 OUL vehicular engine family approvals covering what we believe are six of the top seven OUL engine families on the road in the U.S. In addition, during fiscal 2013, we initiated testing efforts for obtaining IUL approval on several select engine families.

Failure to comply with applicable regulatory requirements can result in, among other things, fines, suspensions of approvals, seizure or recall of products, operating restrictions and criminal prosecutions. Furthermore, changes in existing regulations or adoption of new regulations could impose costly new procedures for compliance, or prevent us from obtaining, or affect the timing of, regulatory approvals. We use our best efforts to keep abreast of changed or new regulations for immediate implementation.

Protection of Intellectual Property Rights and Proprietary Rights

Our American Power Group subsidiary has an exclusive, worldwide license under one U.S. patent for dual fuel conversion technology owned by M&R Development, Inc.

We use the name American Power Group in interstate commerce and assert a common law right in and to that name. Employees

As of September 30, 2013, we had 20 full time employees and no part-time employees. We are not a party to any collective bargaining agreements and consider the relationship with our employees to be satisfactory.

DESCRIPTION OF PROPERTIES

We rent approximately 1,100 square feet of office space in Lynnfield, Massachusetts, on a rolling six-month basis at \$1,250 per month.

Our dual fuel conversion subsidiary leases office and warehousing space in Iowa from M&R Development (“M&R”), a company co-owned by an American Power Group employee. On October 1, 2011, we executed a two year lease agreement requiring monthly rental payments of \$10,000 on a triple net basis. On May 1, 2012, we executed a new three year lease with M&R. Under the terms of the lease, monthly rental payments of \$10,000 on a triple net basis are required for the first year and then increasing in years two and three by the percentage growth in the Greater Des Moines Consumer Price Index (or equivalent index) for the latest available twelve months prior to the date of the increase. We have the option to renew this lease for an additional two year term at a mutually agreed upon rate.

We believe that these facilities are suitable for our current and anticipated requirements.

LEGAL PROCEEDINGS

We are subject to routine claims from time to time in the ordinary course of our business. We do not believe that the resolution of any of the claims that are currently known to us will have a material adverse effect on our company or on our financial statements.

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MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock has traded on the OTC Market Group's OTCQB tier under the symbol "GMTI" from February 2011 until August 2012. Prior to that time our stock was traded on the OTC Bulletin Board. On August 1, 2012, we changed our name to American Power Group Corporation and begin trading under the symbol "APGI" on August 7, 2012. The following table sets forth the high and low bid quotations for our Common Stock for the periods indicated. Quotations from the OTC Markets and the OTC Bulletin Board reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	Common Stock High	Low
Fiscal 2012		
Quarter Ended December 31, 2011	\$0.79	\$0.48
Quarter Ended March 31, 2012	0.84	0.45
Quarter Ended June 30, 2012	0.78	0.58
Quarter Ending September 30, 2012	0.85	0.47
Fiscal 2013		
Quarter Ended December 31, 2012	\$0.66	\$0.49
Quarter Ending March 31, 2013	0.78	0.65
Quarter Ending June 30, 2013	0.70	0.53
Quarter Ending September 30, 2013	0.85	0.56
Fiscal 2014		
Quarter Ended December 31, 2013	\$0.78	\$0.58
Quarter Ended March 31, 2014	1.25	0.58
Quarter Ended June 30, 2014 (through May 27, 2014)	1.16	0.71

On May 27, 2014, the closing price of our Common Stock was \$0.75 per share.

As of May 27, 2014, we estimate the approximate number of stockholders of record of our Common Stock to be 1,800. This number excludes individual stockholders holding stock under nominee security position listings.

We have not paid any cash dividends on our Common Stock since inception and do not anticipate paying any cash dividends in the foreseeable future. Our 10% Convertible Preferred Stock has a 10% annual dividend, payable quarterly in cash or in shares of Common Stock. The terms of the 10% Convertible Preferred Stock restrict our ability to pay dividends on our Common Stock if the dividends due on the 10% Convertible Preferred Stock are unpaid.

Equity Compensation Plan Information

The table below sets forth certain information as of September 30, 2013 with respect to equity compensation plans under which our common stock is authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by stockholders (1)	4,172,000	\$0.37	1,495,000
Equity compensation plans not approved by stockholders (2)	8,000	\$0.81	—
	4,180,000		1,495,000

(1) This total includes shares to be issued upon exercise of outstanding options under the equity compensation plans that have been approved by shareholders (i.e., our 2005 Plan).

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- (2) This total includes shares to be issued upon exercise of outstanding options under the equity compensation plan that has not been approved by shareholders (our 1996 Non-Employee Director Plan).

DIVIDEND POLICY

We have never declared or paid any cash dividends on our Common Stock and we do not anticipate paying any cash dividends in the foreseeable future on our Common Stock. The payment of dividends on Common Stock, if any, in the future is within the discretion of our Board of Directors and will depend on our earnings, capital requirements and financial condition and other relevant facts.

Our 10% Convertible Preferred Stock has a 10% annual dividend, payable quarterly in cash or in shares of Common Stock. The terms of the 10% Convertible Preferred Stock restrict our ability to pay dividends on our Common Stock if the dividends due on the 10% Convertible Preferred Stock are unpaid. Other than the payment of cash dividends as provided under the terms of our 10% Convertible Preferred Stock, we currently intend to retain all future earnings, if any, to finance the development and growth of our business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes included in this prospectus.

Introduction

Our business changed in August 2011, when we sold substantially all of the assets of our Green Tech Products, Inc. molded recycled rubber products operations. Green Tech Products' assets, liabilities and results of operations are classified as discontinued operations for all periods presented for the fiscal years ended September 30, 2013 and 2012.

Results of Operations

Three Months ended March 31, 2014 Compared to the Three Months ended March 31, 2013

Net sales for the three months ended March 31, 2014 decreased \$593,673 or 32% to \$1,258,489 as compared to net sales of \$1,852,162 for the three months ended March 31, 2013. We believe the unusually colder than normal weather conditions in North America during the quarter negatively impacted the results for the three months ended March 31, 2014 as customers delayed conversions due to harsh installation conditions or vehicle availability. The results for the three months ended March 31, 2013 included approximately \$1.3 million or 70% of the quarterly revenue associated with an oil and gas conversion order relating to the full turnkey conversion of multiple engines in the high pressure fracturing market. North American stationary revenues for the three months ended March 31, 2014 were approximately \$835,000 which was approximately \$490,000 or 142% higher when compared to North American stationary revenues for the same period of the prior year of approximately \$345,000, adjusted for the large turnkey conversion order discussed above. Domestic vehicular revenues for the three months ended March 31, 2014 increased \$271,673 or 312% to \$358,818. The increase was attributable to increased market exposure and sales through our WheelTime member distributor/installer network and the ability to actively solicit customer orders due to the increased number of EPA approvals we have received to date.

During the three months ended March 31, 2014 our gross profit was \$346,971 or 28% of net sales as compared to a gross profit of \$716,356 or 39% of net sales for the three months ended March 31, 2013. The decrease in gross profit is attributable to the decrease in oil and gas stationary revenue and relative higher unabsorbed overhead costs.

Selling, general and administrative expenses for the three months ended March 31, 2014 decreased \$333,270 or 26% to \$932,474 as compared to \$1,265,744 for the three months ended March 31, 2013. The results for the three months ended March 31, 2013 included approximately \$361,000 of one-time, non-cash amortization expense associated with the WheelTime member incentive warrants which vested in 2013.

During the three months ended March 31, 2014, interest and financing expense decreased \$1,881 or 4% to \$44,897 as compared to \$46,778 for the three months ended March 31, 2013.

Our net loss for the three months ended March 31, 2014 increased \$45,017 or 7% to \$655,526 or (\$0.01) per basic share as compared to a net loss of \$610,509 or (\$0.01) per basic share for the three months ended March 31, 2013. The calculation of net loss per share available for Common shareholders for the three months ended March 31, 2014 and 2013, reflects the inclusion of 10% Convertible Preferred Stock quarterly dividends of \$235,447 and \$187,391 associated with the issuance of the 10% Convertible Preferred Stock.

Six Months ended March 31, 2014 Compared to the Six Months ended March 31, 2013

Net sales for the six months ended March 31, 2014 increased \$373,895 or 14% to \$3,101,010 as compared to net sales of \$2,727,115 for the six months ended March 31, 2013. We believe the unusually colder than normal weather conditions in North America during the quarter negatively impacted the results for the three months ended March 31, 2014 as customers delayed conversions due harsh installation conditions or vehicle availability. The results for the six months ended March 31, 2013 included approximately \$1.3 million or 48% of the year to date revenue associated with an oil and gas conversion order relating to the full turnkey conversion of multiple engines in the high pressure fracturing market. North American stationary revenues for the six months ended March 31, 2014 were approximately \$2.2 million which was approximately \$1.4 million or 201% higher when compared to North American stationary revenues for the same period of the prior year of approximately \$171,000, adjusted for the large turnkey conversion order discussed above. Domestic vehicular revenues for the six months ended March 31, 2014 increased approximately \$317,208 or 56% to \$878,856. The increase was attributable to increased market exposure and sales through our WheelTime member distributor/installer network and the ability to actively solicit customer orders due to the increased number of EPA approvals received to date.

During the six months ended March 31, 2014, our gross profit was \$1,248,583 or 40% of net sales as compared to \$1,016,905 or 37% of net sales for the six months ended March 31, 2013. The increase was attributable to higher revenue and relative lower overhead costs.

Selling, general and administrative expenses for the six months ended March 31, 2014 decreased \$224,535 or 10% to \$1,924,091 as compared to \$2,148,626 for the six months ended March 31, 2013. The decrease was primarily attributable to approximately \$393,000 of one-time, non-cash amortization expense associated with the WheelTime member incentive warrants which vested during the six months ended March 31, 2013. The decrease was offset by higher wages of approximately \$145,000 associated with an increased number of employees.

During the six months ended March 31, 2014, interest and financing expense increased \$3,635 or 4% to \$91,004 as compared to \$87,369 for the six months ended March 31, 2013.

Our net loss for the six months ended March 31, 2014 decreased \$431,195 or 34% to \$819,100 or (\$0.02) per basic share as compared to a net loss of \$1,250,295 or (\$0.03) per basic share for the six months ended March 31, 2013. The calculation of net loss per share available for Common shareholders for the six months ended March 31, 2014 and 2013, reflects the inclusion of quarterly dividends of \$480,486 and \$400,096, respectively, paid on our 10% Convertible Preferred Stock.

Fiscal Year ended September 30, 2013 Compared to Fiscal Year ended September 30, 2012

Net sales from continuing operations for the fiscal year ended September 30, 2013 increased \$4,383,242 or 166% to \$7,017,122 as compared to net sales of \$2,633,880 for the fiscal year ended September 30, 2012. The increase was attributable to stronger North American stationary revenues which accounted for approximately 74% of overall revenue, especially in the area of oil and gas conversion revenue which increased approximately \$3.4 million. This increase was primarily due to orders from three customers which accounted for approximately 67% of overall revenue as well as numerous follow-on orders from existing customers. North American vehicular revenues for the fiscal year ended September 30, 2013 increased approximately \$816,000 or approximately 300% to approximately \$1.1 million as a result of our ability to actively solicit customer orders due to the increased number of vehicular EPA approvals received to date.

During the fiscal year ended September 30, 2013, our gross profit was \$2,726,127 or 39% of net sales as compared to a gross profit of \$698,113 or 27% for the fiscal year ended September 30, 2012. The increase is attributable to higher revenue and lower manufacturing overhead costs during the fiscal year ended September 30, 2013. The gross profit for the fiscal year ended September 30, 2013 also included approximately \$350,000 of costs associated with our successful effort to complete the necessary EPA emissions testing procedures required to legally sell our dual fuel for an additional popular engine family used in the drilling and horizontal fracturing industry. Approximately \$1.5 million of our oil and gas revenue increase was attributable to our ability to sell into this new engine family.

Selling, general and administrative expenses for the fiscal year ended September 30, 2013 increased \$1,670,029 or 57% to \$4,597,311 as compared to \$2,927,282 for the fiscal year ended September 30, 2012. The increase was primarily attributable to increased sales and marketing costs of approximately \$610,000, the inclusion of \$424,549 of

non-cash amortization expense associated with the vested WheelTime member incentive warrants and to a lesser extent, increased wages of approximately \$389,000 associated with an increased number of employees and commissions.

During the fiscal year ended September 30, 2013, interest and financing expense decreased \$1,453,213 to \$158,839 as compared to \$1,612,052 for the fiscal year ended September 30, 2012. The decrease was primarily attributable to decreased borrowings and the absence of accelerated amortization of debt discounts and financing costs of approximately \$1.25 million incurred in fiscal year September 30, 2012. In addition, we recorded a non-cash incentive conversion expense of \$582,143 during the fiscal year ended September 30, 2012 associated with the re-pricing of certain convertible debentures.

Our loss from continuing operations decreased \$2,387,324 to \$2,109,841 for the fiscal year ended September 30, 2013 as compared to a loss of \$4,497,165 for the fiscal year ended September 30, 2012.

The gain from discontinued operations for the fiscal year ended September 30, 2013 of \$66,922 relates to a refund of prior amounts paid and the loss on disposal of discontinued operations for the fiscal year ended September 30, 2012 of \$63,085 relates to our former molded rubber products operations which were sold in August 2011.

Our net loss for the fiscal year ended September 30, 2013 was \$2,042,919 or \$(0.04) per basic share as compared to a net loss of \$4,560,250 or (\$0.11) per basic share for the fiscal year ended September 30, 2012. The calculation of net loss per share attributable to Common stockholders of \$(0.06) for the fiscal year ended September 30, 2013 reflects the inclusion of \$883,370 of 10% Convertible Preferred Stock dividends paid. The loss per share attributable to Common stockholders of \$14,666,827 or \$(0.37) for the fiscal year ended September 30, 2012, reflects the inclusion of \$358,460 of 10% Convertible Preferred Stock dividends paid and a beneficial conversion feature of \$9,748,127 associated with the issuance of the 10% Convertible Preferred Stock on April 30, 2012.

Liquidity and Capital Resources

As of March 31, 2014 and September 30, 2013, we had \$1,180,429 and \$1,984,169, respectively, in cash, cash equivalents and restricted certificates of deposit. As of March 31, 2014 and September 30, 2013, we had working capital of \$1,659,158 and \$2,113,825, respectively. As of March 31, 2014 and September 30, 2013, under the terms of our working capital line, we had sufficient collateral to borrow an additional \$0 and \$992,339, respectively, above the then outstanding balance.

Based on our fiscal 2014 operating budget, cash on hand at March 31, 2014 and anticipated availability under our bank working capital line, we believe we will be able to satisfy our cash requirements through at least the first quarter of calendar 2015 without the need to materially modify our operating plan. We understand our continued existence is dependent on our ability to generate positive operating cash flow, achieve profitability on a sustained basis and generate improved performance. If we are unable to achieve and sustain profitability and we are unable to obtain additional financing to supplement our cash position, our ability to maintain our current level of operations could be materially and adversely affected. There is no guarantee we will be able to achieve profitability.

The Consolidated Statement of Cash Flows reflect events for the six months ended March 31, 2014 and 2013, and for the fiscal years ended September 30, 2013 and 2012, as they affect our liquidity. During the six months ended March 31, 2014, net cash used in operating activities was \$718,403. Our net loss for the six months ended March 31, 2014 was \$819,100. Our cash flow was positively impacted by the following non-cash expenses and changes to our working capital: \$491,824 of depreciation, amortization and stock options. However, a decrease of \$549,217 related to accounts payable, accrued expenses, inventory and other assets was offset by decreases in accounts receivable, prepaids, other current assets and assets related to discontinued operations.

During the six months ended March 31, 2013, net cash used in operating activities was \$983,181. Our net loss for the six months ended March 31, 2013 was \$1,250,295. While our cash flow was positively impacted by the following non-cash expenses and changes to our working capital: \$721,195 of depreciation, amortization, stock options and an increase of \$556,785 in accounts payable which was offset by an increased investment in software development and inventory.

During the fiscal year ended September 30, 2013, net cash used by operations was \$1,797,928. Our net loss for the fiscal year ended September 30, 2013 was \$2,042,919 with our cash flow being positively impacted by the following non-cash expenses and changes to our working capital: \$794,800 of depreciation, stock compensation expense and amortization. During the fiscal year ended September 30, 2012, net cash used in operating activities was \$2,216,086. Our net loss for the fiscal year ended September 30, 2012 was \$4,560,250 while our cash flow was positively impacted by the following additional non-cash expenses: \$2,282,314 of depreciation, amortization, stock compensation expense and deferred financing costs.

Net cash used in investing activities was \$328,868 for the six months ended March 31, 2014, reflecting the capitalization of \$218,635 of costs associated with our dual fuel electronic control unit engine family software applications and the purchase of \$110,233 of property, plant and equipment. Net cash used in investing activities was \$1,526,843 for the six months ended March 31, 2013, reflecting the capitalization of \$786,101 of costs associated with our dual fuel electronic control unit engine family software applications and the purchase of \$740,742 of property,

plant and equipment.

Net cash used in investing activities was \$2,948,900 and \$1,451,497, for fiscal years ending September 30, 2013 and September 30, 2012, respectively, reflecting the capitalized costs associated with our dual fuel electronic control unit engine family software applications.

Net cash provided by financing activities was \$243,531 during the six months ended March 31, 2014, reflecting the proceeds of \$575,000 from the credit facility plus \$38,302 of proceeds from exercised stock options. Payments made on notes payable totaled \$77,447 and we paid our 10% Preferred Stockholders \$283,563 of 10% preferred dividends. Net cash provided by financing activities was \$2,566,038 during the six months ended March 31, 2013, reflecting \$2,656,211 in proceeds from the sale of 10%

Convertible Preferred Stock, net of fees, \$14,781 of proceeds from exercised stock options and the proceeds of \$78,050 from our credit facility. Payments made on notes payable totaled \$72,734 and we paid our Preferred Stockholders \$110,270 of 10% preferred dividends.

Net cash provided by financing activities was \$2,007,512 for the fiscal year ended September 30, 2013 reflecting the net proceeds of \$2,646,279 from the sale of our 10% Convertible Preferred Stock. Net cash provided by financing activities was \$7,937,411 during the fiscal year ended September 30, 2012, reflecting the proceeds of approximately \$7,410,343 from the sale of our 10% Convertible Preferred Stock, \$1,185,000 of new convertible debentures and \$436,000 of notes payable proceeds.

Effects of Inflation and Changing Prices

Generally, we are exposed to the effects of inflation and changing prices. Given that our dual fuel conversion technology replaces a certain percentage of diesel fuel with natural gas, we would be impacted by any material change in the net fuel savings between the two fuels (for example, if diesel fuel prices decrease and natural gas prices increase). We have generally been unaffected by interest rate changes because we no longer maintain any floating-rate debt.

Off-Balance Sheet Arrangements

We lease our Iowa facilities under a non-cancelable short term operating lease which is described in Note 7 to our Audited Consolidated Financial Statements included in this prospectus.

Environmental Liability

There are no known material environmental violations or assessments.

Critical Accounting Policies

Revenue Recognition

Our dual fuel conversion operations derive revenue from (1) product revenue which is earned from the sale and installation of dual fuel conversion equipment and (2) maintenance and service agreements. All components are purchased from external sources including several proprietary patented components which are configured by our internal engineering staff to a customer's specific diesel engine family. The components are assembled into installation kits by us and then delivered on site for installation. All installations are managed by American Power Group led team or certified third party installer.

Overall, our services and dual fuel conversion equipment for both vehicular and stationary are generally sold based upon purchase orders or contracts with our customers that include fixed or determinable prices but do not include right of return provisions or other significant post-delivery obligations. We recognize revenue from product sales when title passes to the customer, the customer assumes risks and rewards of ownership, collectability is reasonably assured, and delivery occurs as directed by our customer. Service revenue, including engineering services, is recognized when the services are rendered and collectability is reasonably assured.

Percentage of Completion. Revenue from certain long-term, integrated project management contracts to provide and install our dual fuel conversion equipment for stationary power generation is reported on the percentage-of-completion method of accounting. Progress is generally based upon costs incurred to date in relation to the total estimated costs for each contract. Revisions in costs and earnings during the course of the contract are reflected in the accounting period in which facts requiring revisions become known. At the time a loss on a contract becomes known, the entire amount of the estimated loss is accrued.

Multiple-Element Arrangements. We also enter into Multiple-Element Arrangements to sell our dual fuel conversion equipment with engineering and installation services in both the stationary and vehicular applications. We recognize the revenue associated with the dual fuel conversion equipment when title and risk passes to our customer and recognize the service revenue when the service is complete using parameters specified in the first paragraph of this Revenue Recognition Policy.

Recent Accounting Pronouncements

ASU 2011-11, Balance Sheet (Topic 210):
Disclosures about Offsetting Assets and
Liabilities

This ASU requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the balance sheet, and instruments and transactions subject to an agreement similar to a master netting arrangement. The

requirements are effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. We have reviewed the effect of adopting this guidance and find it does not have a material effect on our financial statements.

ASU 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment	<p>This ASU gives an entity the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test for indefinite-lived intangible assets other than goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued. We have reviewed the effect of adopting this guidance and find it does not have a material effect on our financial statements.</p>
ASU 2012-04, Technical Corrections and Improvements	<p>This ASU makes certain incremental improvements to U.S. generally accepted accounting principles (GAAP) including, among other revisions, conforming amendments that identify when the use of fair value should be linked to the definition of fair value in ASC 820. The majority of the amendments in ASU 2012-04 were effective upon issuance on October 1, 2012, for both public entities and nonpublic entities. For public entities, the more substantive amendments that are subject to transition guidance are effective for fiscal years beginning after December 15, 2012. We have reviewed the effect of adopting this guidance and find it does not have a material effect on our financial statements.</p>
ASU 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income	<p>This ASU requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. Public companies are required to comply with the requirements of ASU 2013-02 for all reporting periods (interim and annual) beginning after December 15, 2012. We have reviewed the effect of adopting this guidance and find it does not have a material effect on our financial statements.</p>
ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)	<p>This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the following:</p> <ul style="list-style-type: none">The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligorsAny additional amount the reporting entity expects to pay on behalf of its co-obligors <p>The amendments in ASU 2013-04 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We have reviewed the effect of adopting this guidance and find it does not have a material effect on our financial statements.</p>

ASU 2013-11, Income Taxes (Topic 740):
Presentation of an Unrecognized Tax Benefit
When a Net Operating Loss Carryforward, a
Similar Tax Loss, or a Tax Credit Carryforward
Exists (a consensus of the FASB Emerging
Issues Task Force)

Per this ASU, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We have reviewed the effect of adopting this guidance and find it does not have a material effect on our financial statements.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Our directors and executive officers are as follows:

Name	Age	Position
Maurice E. Needham	73	Chairman of the Board of Directors
Lyle Jensen	62	Chief Executive Officer; President; Director
Charles E. Coppa	50	Chief Financial Officer; Treasurer; Secretary
Lew F. Boyd	68	Director
Neil Braverman	74	Director
Jamie Weston	48	Director
Raymond L.M. Wong	60	Director

Each director is elected for a period of one year at the annual meeting of stockholders and serves until his or her successor is duly elected by the stockholders. The holders of the Common Stock have the right to elect three members of the Board of Directors and the holders of the Common Stock and the 10% Convertible Preferred Stock, voting together as a single class, have the right to elect the balance of the total number of directors. The officers are appointed by and serve at the discretion of the Board of Directors. All outside directors receive \$5,000 per quarter as board compensation. Messrs. Weston and Wong and former director Dr. Faliks have agreed to forgo their quarterly retainers.

On January 10, 2013, Kevin Tierney, Sr., resigned from the Board of Directors in anticipation of the requirement set forth in the Company’s Restated Certificate of Incorporation, as amended, that the number of directors elected by the holders of our Common Stock, voting as a separate class, be reduced from four to three effective on and after March 31, 2013. Mr. Tierney’s resignation was not due to any disagreement known to the Company’s executive officers with respect to any matter relating to the Company’s operations, policies or practices.

On October 30, 2013, Raymond L. M. Wong, Managing Director of Spring Mountain Capital, LP, joined the Company’s Board of Directors replacing Dr. Faliks as one of Spring Mountain’s two Board of Director designees as well as replacing Dr. Faliks on the Audit Committee.

We have established an Audit Committee consisting of Mr. Weston (Chair) and Mr. Wong, and a Compensation Committee consisting of Messrs. Boyd (Chair), Needham, Weston and Braverman. Our Board of Directors has determined that Mr. Weston is an “audit committee financial expert” within the meaning given that term by Item 407(d)(5) of Regulation S-K.

MAURICE E. NEEDHAM has been Chairman since June 1993. From June 1993 to July 21, 1997, Mr. Needham also served as Chief Executive Officer. He previously served as a Director of Comtel Holdings, an electronics contract manufacturer since April 1999. He previously served as Chairman of Dynaco Corporation, a manufacturer of electronic components which he founded in 1987. Prior to 1987, Mr. Needham spent 17 years at Hadco Corporation, a manufacturer of electronic components, where he served as President, Chief Operating Officer and Director. We believe that Mr. Needham's extensive business, operational and management experience, including his over eighteen years with our company give him the qualifications and skills to serve as a director and member of the Compensation Committee.

LYLE JENSEN has been a Director since May 2002. On April 12, 2006, Mr. Jensen became our Chief Executive Officer. Mr. Jensen previously was Executive Vice President/Chief Operations Officer of Auto Life Acquisition Corporation, an automotive aftermarket dealer of fluid maintenance equipment. Prior to that, he was a Business Development and Operations consultant after holding executive roles as Chief Executive Officer and minority owner of Comtel and Corlund Electronics, Inc. He served as President of Dynaco Corporation from 1988 to 1997; General Manager of Interconics from 1984 to 1988; and various financial and general management roles within Rockwell International from 1973 to 1984. The Board of Directors believes Mr. Jensen has the necessary qualifications and skills to serve as Chief Executive Officer and as a director based on his financial and operational background and the management expertise he has cultivated during his nearly nine year tenure with our company.

CHARLES E. COPPA has served as Chief Financial Officer, Treasurer and Secretary since March 1998. From October 1995 to March 1998, he served as Corporate Controller. Mr. Coppa was Chief Financial Officer and Treasurer of Food Integrated Technologies, a publicly-traded development stage company from July 1994 to October 1995. Prior to joining Food Integrated Technologies, Inc., Mr. Coppa served as Corporate Controller for Boston Pacific Medical, Inc., a manufacturer and distributor of disposable medical products, and Corporate Controller for Avatar Technologies, Inc., a computer networking company. From 1985 to 1990 Mr. Coppa was as an auditor with Grant Thornton where he obtained his CPA designation. The Board of Directors believes Mr. Coppa has the necessary qualifications and skills to serve as Chief Financial Officer based on his financial and management expertise he has cultivated during his nearly seventeen year tenure with the company.

LEW F. BOYD has been a Director since August 1994. Mr. Boyd is the founder and since 1985 has been the Chief Executive Officer of Coastal International, Inc., an international business development and executive search firm, specializing in the energy and environmental sectors. Previously, Mr. Boyd had been Vice President/General Manager of the Renewable Energy Division of Butler Manufacturing Corporation and had served in academic administration at Harvard and Massachusetts Institute of Technology. The Board of Directors believes that Mr. Boyd's extensive business and executive recruitment experience, including his over seventeen years with our company, give him the qualifications and skills to serve as a director and Chairman of the Compensation Committee.

NEIL BRAVERMAN has been a Director since April 30, 2012. Mr. Braverman is the founder of Associated Private Equity. He previously founded and was co-Chairman of Safeskin Corporation, the leading manufacturer of latex/synthetic gloves to the healthcare and electronic markets, which was sold to Kimberly Clark Corporation in 1999. Prior to Safeskin Corporation, Mr. Braverman founded Paramount Oil Corporation, a manufacturer of motor and industrial oils. During his career, Mr. Braverman founded and managed numerous real estate investments and manufacturing firms. He began his entrepreneur career founding and building the largest wig company in the U.S., which sold to U.S. Industries. The Board of Directors believes Mr. Braverman's extensive business and management experience give him the qualifications and skills to serve as a director.

JAMIE WESTON has been a Director since April 30, 2012. Since April 2011, Mr. Weston has served as a Managing Director of Spring Mountain Capital. From July 1995 to October 2010, he was a Partner at The Wicks Group of Companies, a private equity firm with close to \$1 billion under management, focused on selected segments of the information, education, and media industries. During his 15 years at Wicks, Mr. Weston was an integral part of its investment and management activities and served on the board of directors of many of its portfolio companies. While at Wicks, he directly structured and negotiated more than 20 acquisitions and divestitures and worked on more than 40 additional closed transactions. Prior to Wicks, Mr. Weston worked at IBJ Whitehall Bank & Trust Company and National Westminster Bancorp, where he completed leveraged financings. He received an M.B.A. from Fordham University and a B.A. in Economics from Drew University. The Board of Directors believes that Mr. Weston's extensive business and financial experience give him the qualifications and skills to serve as a director.

RAYMOND L.M. WONG has been a Director since October 2013. Since 2007, Mr. Wong has been a Managing Director of Spring Mountain Capital's private equity group. Mr. Wong was previously a senior Managing Director in the Investment Banking Division of Merrill Lynch & Co., Inc. While at Merrill Lynch, Mr. Wong served on the Investment Banking Operating Committee and as Chairman of the Corporate Finance Committee. During his 25 years at Merrill Lynch, he had responsibility for the corporate finance relationships for many of the firm's largest corporate clients. Before joining Spring Mountain Capital, Mr. Wong was the Managing Member of DeFee Lee Pond Capital LLC, a financial advisory and investment firm. Mr. Wong serves on the board of directors of several companies, including Alleghany Corporation and Merrill Lynch Ventures, LLC. Mr. Wong received his M.B.A. with honors from Harvard Business School and graduated summa cum laude from Yale College with a B.A. in Political Science. The Board of Directors believes that Mr. Wong's extensive business and financial experience give him the qualifications and skills to serve as a director.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes the compensation paid or accrued for services rendered during the fiscal years ended September 30, 2013 and 2012, to our Chief Executive Officer and our Chief Financial Officer. We did not grant any stock appreciation rights or make any long-term plan payouts during the fiscal years ended September 30, 2013 and 2012.

Name and Principal Position	Annual Compensation					Total
	Fiscal Year	Salary	Bonus	Option Awards (1)(2)	All Other Compensation(3)	
	2013	\$262,500	\$—	\$—	\$25,882	\$288,382

Lyle Jensen, Chief Executive
Officer

2012	250,000	—	9,000	25,679	284,679
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Charles Coppa, Chief Financial
Officer

2013	\$170,000	\$—	\$—	\$22,095	\$192,095
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2012	161,500	—	9,000	25,544	196,044
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(1) Amounts shown do not reflect compensation actually received by the named executive officer. The amounts in the Option Awards column reflect the dollar amount recognized as compensation cost for financial statement reporting purposes for the fiscal year ended September 30, 2012, in accordance with ASC 718 for all stock options granted in such fiscal years. The calculation in the table above excludes all

assumptions with respect to forfeitures. There can be no assurance that the amounts set forth in the Option Awards column will ever be realized. A forfeiture rate of zero was used in the expense calculation in the financial statements.

(2) During fiscal year 2012, Messrs. Jensen and Coppa were each granted options to purchase 50,000 shares of Common Stock which vested immediately on the date of grant and have a ten-year term.

(3) Represents payments made to or on behalf of Messrs. Jensen and Coppa for health and life insurance and auto allowances.

Employment Agreements

Mr. Jensen has a five-year employment agreement pursuant to which he receives a base salary to \$262,500 per year. The agreement automatically renews for one additional year upon each anniversary, unless notice of non-renewal is given by either party. We may terminate the agreement without cause on 30 days' prior notice. The agreement provides for payment of twelve months' salary and certain benefits as a severance payment for termination without cause. Any increases in Mr. Jensen's base salary will be made in the discretion of the Board of Directors upon the recommendation of the Compensation Committee. Mr. Jensen's employment agreement provides for cash incentive compensation in respect of any fiscal year of up to the lesser of (x) 20% of our audited annual profit after tax, as reported in the financial statements included in our Annual Report on Form 10-K for such fiscal year or (y) \$150,000 and stock options based on (i) non-financial criteria which may be established by the Board of Directors and (ii) upon a calculation of our annual audited earnings before interest, taxes, depreciation and amortization ("EBITDA") as a percentage of our revenue, as follows:

	EBITDA as a % of Revenue	Stock Option Performance Incentive Earned
Base:	<11.0%	None
Level I:	11.1% - 11.99%	Options to purchase 20,000 shares of the Company's common stock.
Level II:	12.0% - 12.99%	Options to purchase 40,000 shares of the Company's common stock.
Level III:	13.0% - 13.99%	Options to purchase 60,000 shares of the Company's common stock.
Level IV:	14.0% - 14.99%	Options to purchase 80,000 shares of the Company's common stock.
Level V:	> 15.0%	Options to purchase 100,000 shares of the Company's common stock.

Mr. Jensen did not receive any incentive compensation during fiscal years 2013 or 2012.

Mr. Coppa has a two-year employment agreement pursuant to which he receives a base salary to \$170,000 per year. The agreement automatically renews for two additional years upon each anniversary, unless notice of non-renewal is given by either party. We may terminate the agreement without cause on 30 days' prior notice. The agreement provides for payment of twelve months' salary and certain benefits as a severance payment for termination without cause. Any increases in Mr. Coppa's base salary will be made in the discretion of the Board of Directors upon the recommendation of the Compensation Committee. Mr. Coppa's employment agreement also provides for incentive compensation in respect of any fiscal year based on mutually agreed performance measures as determined our Compensation Committee. Any increases or bonuses will be made at the discretion of our Board of Directors upon the recommendation of the Compensation Committee. Mr. Coppa did not receive any incentive compensation during fiscal years 2013 or 2012

Outstanding Equity Awards

The following table sets forth information concerning outstanding stock options for each named executive officer as of September 30, 2013:

Name	Date of Grant	Number of Securities Underlying		Exercise Price Per Share	Option Expiration Date
		Unexercised Options Exercisable	Unexercisable		
Lyle Jensen	April 24, 2004 (1)	2,000	—	\$1.10	April 24, 2014
	June 15, 2005 (1)	2,000	—	\$0.51	June 15, 2015
	April 12, 2006 (2)	500,000	—	\$0.28	April 12, 2016
	December 18, 2006 (2)	100,000	—	\$0.35	December 18, 2016
	December 29, 2006 (3)	25,000	—	\$0.36	December 29, 2016
	February 8, 2008 (3)	100,000	—	\$0.34	February 8, 2018
	September 30, 2008 (3)	100,000	—	\$0.33	September 30, 2018
	November 17, 2008 (2)	80,000	20,000	\$0.33	November 17, 2018
	June 8, 2009 (3)	100,000	—	\$0.22	June 8, 2019
	June 27, 2011 (3)	15,000	—	\$0.80	June 27, 2021
January 18, 2012 (3)	50,000	—	\$0.48	January 18, 2022	
Charles Coppa	June 6, 2006 (2)	137,000	—	\$0.36	June 6, 2016
	September 28, 2007 (2)	45,000	—	\$0.35	September 28, 2017
	November 18, 2008 (2)	80,000	20,000	\$0.35	November 18, 2018
	June 8, 2009 (2)	160,000	40,000	\$0.22	June 8, 2019
	March 4, 2010 (2)	60,000	40,000	\$0.36	March 4, 2020
	December 16, 2010 (3)	25,000	—	\$0.45	December 16, 2020
	June 27, 2011 (3)	50,000	—	\$0.80	June 27, 2021
January 18, 2012 (3)	50,000	—	\$0.48	January 18, 2022	

(1) These options were granted under the 1996 Non Employee Stock Option Plan, have a ten-year term and vested immediately on the date of grant.

(2) These options were granted under the 2005 Stock Option Plan, have a ten-year term and vest at an annual rate of 20% over a five-year period from the date of grant.

(3) These options were granted under the 2005 Stock Option Plan, have a ten-year term and vested immediately on the date of grant.

Director Compensation

The following table sets forth information concerning the compensation of our Directors who are not named executive officers for the fiscal year ended September 30, 2013:

Name	Fees Earned or Paid in Cash or Common Stock (1)	Option Awards	All Other Compensation(2)	Total
Maurice Needham	\$—	\$—	\$112,117	\$112,117
Lew Boyd	20,000	—	—	20,000
Kevin Tierney, Sr (3)	5,000	—	—	5,000
Neil Braverman	20,000	—	—	20,000
Aviel Faliks (4)	—	—	—	—
Jamie Weston	—	—	—	—

(1) All non-employee directors receive a quarterly board fee of \$5,000 per quarter with the exception of Messrs. Faliks and Weston who have agreed to forgo their quarterly retainers. Mr. Tierney resigned from the Board on January

10, 2013.

(2) During fiscal year 2013, we paid Mr. Needham \$112,117 relating to salary (\$92,000), health and life insurance (\$11,117) and auto allowance (\$9,000).

(3) Mr. Tierney resigned from the Board of Directors on January 10, 2013.

(4) Dr. Faliks left the Board of Directors in October 30, 2013.

As of September 30, 2013, each Director who is not a named executive officer for the fiscal year ended September 30, 2013 holds the following aggregate number of shares under outstanding stock options:

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Name	Number of Shares Underlying Outstanding Stock Options
Maury Needham	850,000
Lew Boyd	344,000
Neil Braverman	50,000
Aviel Faliks	—
Jamie Weston	—

Stock Option Plans

Our 1993 Stock Option Plan (the “1993 Plan”) was established to provide options to purchase shares of common stock to our employees, officers, directors and consultants. The 1993 Plan expired on June 10, 2004 as it related to new grants. During the fiscal year ended September 30, 2012, the remaining 22,500 options outstanding under the 1993 plan expired unexercised.

On June 16, 2005, our shareholders approved the 2005 Stock Option Plan (the “2005 Plan”) and in March 2010 approved an increase to the number of shares authorized under the 2005 Plan from 3,500,000 to 6,000,000 shares. Options granted under the 2005 Plan may be either options intended to qualify as “incentive stock options” under Section 422 of the Internal Revenue Code of 1986, as amended; or non-qualified stock options.

Incentive stock options may be granted under the 2005 Plan to employees, including officers and directors who are employees. Non-qualified options may be granted to our employees, directors and consultants. The 2005 Plan is administered by our Board of Directors, which has the authority to determine:

- the persons to whom options will be granted;
- the number of shares to be covered by each option;
- whether the options granted are intended to be incentive stock options;
- the manner of exercise; and
- the time, manner and form of payment upon exercise of an option.

Incentive stock options granted under the 2005 Plan may not be granted at a price less than the fair market value of our common stock on the date of grant (or less than 110% of fair market value in the case of persons holding 10% or more of our voting stock). Non-qualified stock options may be granted at an exercise price established by our Board which may not be less than 85% of fair market value of our shares on the date of grant. Current tax laws adversely impact recipients of non-qualified stock options granted at less than fair market value; however, we do not expect to make such grants. Incentive stock options granted under the 2005 Plan must expire no more than ten years from the date of grant, and no more than five years from the date of grant in the case of incentive stock options granted to an employee holding 10% or more of our voting stock.

During the year ended September 30, 2013, 200,000 options were granted under the 2005 Plan at an exercise price ranging from \$.54. As of September 30, 2013, there were 4,172,000 options granted and outstanding under the 2005 Plan which are exercisable at prices ranging from \$0.23 to \$0.80.

During the year ended September 30, 2012, 500,000 options were granted under the 2005 Plan at exercise prices ranging from \$.48 to \$.60 per share.

Non-Employee Director Stock Option Plan

Our 1996 Non-Employee Director Stock Option Plan was intended to promote our interests by providing an inducement to obtain and retain the services of qualified persons who are not officers or employees to serve as members of our Board of Directors. During fiscal year 2006, the Compensation Committee agreed to discontinue future option grants made under the Non-Employee Director Stock Option Plan.

As of September 30, 2013 and 2012, options to purchase 8,000 are outstanding and exercisable at prices ranging from \$0.51 to \$1.10.

Employee Benefit Plan

We have implemented a Section 401(k) plan for all eligible employees. Employees are permitted to make elective deferrals of up to 75% of employee compensation up to the maximum contribution allowed by law and employee contributions to the 401(k) plan are fully vested at all times. We may make discretionary contributions to the 401(k) plan which become vested over a period of five years. We did not make any discretionary contributions to the 401(k)

plan during the fiscal years ended September 30, 2013 and 2012.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth certain information regarding beneficial ownership of our common stock as of March 31, 2014:

by each of our directors and executive officers;

by all of our directors and executive officers as a group; and

by each person (including any “group” as used in Section 13(d) of the Securities Exchange Act of 1934) who is known by us to own beneficially 5% or more of the outstanding shares of common stock.

Unless otherwise indicated below, to the best of our knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. As of March 31, 2014, 50,279,280 shares of our common stock were issued and outstanding.

Security Ownership of Management and Directors

Name (1)	Number of Shares Beneficially Owned (2)	Percentage of Class (2)	
Maurice E. Needham (3)	2,178,339	4.27	%
Lyle Jensen (4)	1,829,022	3.56	%
Charles E. Coppa (5)	1,245,595	2.45	%
Lew F. Boyd (6)	690,178	1.36	%
Neil Braverman (7)	6,735,352	11.82	%
Jamie Weston (8) (10)	3,427,673	6.38	%
Raymond L.M.Wong (9) (10)	3,427,673	6.38	%
All officers and directors as a group (7 persons)			

Security Ownership of Certain Beneficial Owners

Name (1)	Number of Shares Beneficially Owned (2)	Percentage of Class (2)	
SMC Reserve Fund II (11)	10,913,536	17.91	%
SMC Select Co-Investment Fund I (12)	6,967,220	12.23	%
Associated Private Equity (13)	6,690,352	11.75	%
Ronald H. Muhlenkamp (14)	4,986,295	8.91	%
SMC Employee Partnership (15)	3,427,673	6.40	%
Next View Capital (16)	2,853,333	5.37	%
SMC Reserve Fund II Offshore (17)	2,728,383	5.15	%

(1) Except as noted, each person's address is care of American Power Group Corporation, Building A, Lynnfield, MA 01940.

Pursuant to the rules of the Securities and Exchange Commission, shares of common stock that an individual or group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be (2) outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

(3)

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Includes 790,000 shares of common stock issuable pursuant to immediately exercisable stock options. Also includes 59,556 shares of common stock owned by Mr. Needham's wife.

(4) Includes 1,094,000 shares of common stock issuable pursuant to immediately exercisable stock options.

(5) Includes 647,000 shares of common stock issuable pursuant to immediately exercisable stock options.

(6) Includes 324,000 shares of common stock issuable pursuant to immediately exercisable stock options.

Includes 20,000 shares of common stock issuable pursuant to immediately exercisable stock options. In addition, Mr. Braverman is a member of Associated Private Equity, LLC, a Delaware limited liability company (“Associated”), an entity that beneficially owns 6,690,352 shares of Common Stock which includes 3,333,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock beneficially owned by Associated, 3,333,333 shares of Common Stock issuable upon exercise of warrants beneficially owned by Associated and 23,686 shares of Common Stock issued for Preferred Stock dividends. Pursuant to Rule 16a-1 of the Securities Exchange Act of 1934, as amended, Mr. Braverman may be deemed to be the beneficial owner of any securities that may be deemed to be beneficially owned by Associated. Mr. Braverman disclaims beneficial ownership with respect to any shares of Common Stock except to the extent of his pecuniary interest therein. Excludes an indeterminate number of shares of Common Stock which the Company may issue to Associated in lieu of cash dividends on the 10% Convertible Preferred Stock. Mr. Braverman's address is c/o Pathstone Family Office, LLC, 1 Bridge Plaza N, Suite 550, Fort Lee, NJ 07024.

(7) Mr. Weston is a partner of SMC Employees Partnership, a New York limited partnership (“SMC EP), an entity that beneficially owns 3,427,673 shares of Common Stock which includes 1,633,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock beneficially owned by SMC EP, 1,633,333 shares of Common Stock issuable upon exercise of warrants beneficially owned by SMC EP and 161,007 shares of Common Stock issued for Preferred Stock dividends. Pursuant to Rule 16a-1 of the Securities Exchange Act of 1934, as amended, Mr. Weston may be deemed to be the beneficial owner of any securities that may be deemed to be beneficially owned by SMC EP. Mr. Weston disclaims beneficial ownership with respect to any shares of Common Stock except to the extent of his pecuniary interest therein. Excludes an indeterminate number of shares of Common Stock which the Company may issue to SMC EP in lieu of cash dividends on the 10% Convertible Preferred Stock. Mr. Weston's address is care of Spring Mountain Capital, LLC, 65 East 55th Street, 33rd Floor, New York, New York 10022.

Mr. Wong is a partner of SMC EP, an entity that beneficially owns 3,427,673 shares of Common Stock which includes 1,633,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock beneficially owned by SMC EP, 1,633,333 shares of Common Stock issuable upon exercise of warrants beneficially owned by SMC EP and 161,007 shares of Common Stock issued for Preferred Stock dividends. Pursuant to Rule 16a-1 of the Securities Exchange Act of 1934, as amended, Mr. Wong may be deemed to be the beneficial owner of any securities that may be deemed to be beneficially owned by SMC EP. Mr. Wong disclaims beneficial ownership with respect to any shares of Common Stock except to the extent of his pecuniary interest therein. Excludes an indeterminate number of shares of Common Stock which the Company may issue to SMC EP in lieu of cash dividends on the 10% Convertible Preferred Stock. Mr. Wong's address is care of Spring Mountain Capital, LLC, 65 East 55th Street, 33rd Floor, New York, New York 10022.

(9) The shares held by SMC EP and considered to be beneficially owned by both Mr. Wong and Mr. Weston are included once for purposes of calculating the total shares beneficially owned by all officers and directors as a group.

Includes 10,913,536 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 5,333,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 5,333,333 shares of Common Stock issuable upon exercise of warrants and 246,870 shares of Common Stock issued for Preferred Stock dividends. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is care of Spring Mountain Capital, LLC, 65 East 55th Street, 33rd Floor, New York, New York 10022.

(11) Includes 6,967,220 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 3,333,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 3,333,333 shares of Common Stock issuable upon exercise of warrants and 300,554 shares of Common Stock issued for Preferred Stock dividends. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is care of Spring Mountain Capital, LLC, 65 East 55th Street, 33rd Floor, New York, New

York 10022.

- (13) Includes 6,690,352 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 3,333,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 3,333,333 shares of Common Stock issuable upon exercise of warrants and 23,686 shares of Common Stock issued for Preferred Stock dividends. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is c/o Pathstone Family Office, 1 Bridge Plaza, Suite 550, Fort Lee, NJ 07024.
- (14) Includes 4,896,295 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 2,333,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 2,333,333 shares of Common Stock issuable upon exercise of warrants and 229,629 shares of Common Stock issued for Preferred Stock dividends. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is 725 Three Degree Road, Butler, Pennsylvania 16002.

Includes 3,389,054 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 1,633,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 1,633,333 shares of Common Stock issuable upon exercise of warrants and 161,007 shares of Common (15) Stock issued for Preferred Stock dividends. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is care of Spring Mountain Capital, LLC, 65 East 55th Street, 33rd Floor, New York, New York 10022.

Includes 2,853,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 2,753,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred (16) Stock and 100,000 shares of Common Stock issuable upon exercise of warrants. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is c/o JAN Management 600 N. Central Ave, Suite 365, Highland Park, IL 60035.

Includes 2,728,383 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 1,333,333 shares of Common Stock issuable upon conversion of shares of 10% Convertible Preferred Stock, 1,333,333 shares of Common Stock issuable upon exercise of warrants and 61,717 shares of Common (17) Stock issued for Preferred Stock dividends. Excludes an indeterminate number of shares of Common Stock which the Company may issue to the stockholder in lieu of cash dividends on the 10% Convertible Preferred Stock. The stockholder's address is care of Spring Mountain Capital, LLC, 65 East 55th Street, 33rd Floor, New York, New York 10022.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

On occasion we may engage in certain related party transactions. Pursuant to our Audit Committee charter, our policy is that all related party transactions are reviewed and approved by the Board of Directors or Audit Committee prior to our entering into any related party transactions.

Stock Issuances; Options Granted

On September 17, 2010, Dr. Kahn and Mr. Coppa loaned us \$323,500 in aggregate, pursuant to the terms of a private offering of 12% unsecured, six-month notes payable. In addition, the Board of Directors approved the issuance of 161,750 shares of unregistered Common Stock in aggregate to Dr. Kahn and Mr. Coppa in conjunction with a debt offering and recorded a deferred financing expense of \$72,788 (the assigned fair value based on the closing bid price). In February 2011, Mr. Boyd loaned us \$20,000 under the same terms and was issued 10,000 shares of unregistered Common Stock valued at \$4,700 (the assigned fair value based on the closing bid price). On March 11, 2011, Dr. Kahn and Mr. Coppa agreed to extend the maturity of their note for an additional six months after the original maturity date of their notes in return for the issuance of 161,750 shares of unregistered Common Stock valued at \$84,293 (the assigned fair value based on the closing bid price).

During January 2011 Messrs. Needham, Coppa, Boyd and Dr. Kahn exercised options to purchase an aggregate of 108,667 shares of Common Stock at prices ranging from \$.28 to \$.45 per share.

On February 8, 2011, Messrs. Tierney and Galvin agreed to accept 41,668 shares of unregistered Common Stock (valued at \$16,667) in lieu of cash for certain director's fees due the individuals.

On June 27, 2011, we granted options to Messrs. Needham, Jensen, Boyd and Coppa to purchase an aggregate of 165,000 shares of our Common Stock at an exercise price of \$0.80 per share, which represented the closing price of our stock on the date of grant.

On October 27, 2011, Messrs. Tierney and Galvin agreed to accept 60,000 shares of unregistered Common Stock (valued at \$30,000) in lieu of cash for certain director's fees due the individuals.

On January 18, 2012, we granted options to Messrs. Needham, Jensen, Boyd and Coppa to purchase an aggregate of 200,000 shares of our Common Stock at an exercise price of \$0.48 per share, which represented the closing price of our stock on the date of each respective grant.

During the twelve months ended September 30, 2012, two directors and an officer agreed to accept 80,000 shares of unregistered Common Stock (valued at \$39,000) in lieu of cash for certain director's fees and wages due the individuals.

During the twelve months ended September 30, 2012, several third parties agreed to accept 83,757 shares of unregistered Common Stock (valued at \$41,899) in lieu of cash for consulting fees due.

On May 1, 2012, the Board of Directors approved the issuance of 25,000 shares of unregistered common stock as restricted stock awards to Mr. Braverman as future incentive and recorded a \$15,000 expense (the assigned fair value based on the closing bid price) associated with the issuance of such shares during the fiscal year ended September 30, 2012. In addition, Mr. Braverman was granted options to purchase 50,000 shares of Common Stock at an exercise price of \$.60 per share.

During May and June 2012, Dr. Kahn and Mr. Galvin exercised options to purchase an aggregate of 79,000 shares of Common Stock at exercise prices ranging from \$0.23 to \$0.51 per share.

Related Party Transactions

On November 18, 2008, we entered into a month-to-month consulting agreement at a rate of \$7,500 per month with a company owned by Mr. Boyd, who also serves as the Chairman of our Compensation committee. The consulting firm provided assistance in the areas of due diligence support as well as market opportunity identification and evaluation, Board of Director candidate identification and evaluation and other services as our Board may determine. During the fiscal years ended September 30, 2013 and 2012 we paid \$22,937 and \$97,978, respectively relating to this contract. The agreement was terminated in December 2012. In addition, during the fiscal year ended September 30, 2013, we paid the firm an additional \$8,138 for support services on an "as needed" basis relating to certain employee searches. On June 17, 2009 we entered into an Exclusive Patent License Agreement between our company and M & R Development Inc. ("M&R"), which is currently co-owned by one of our American Power Group employees. Pursuant to the license, we acquired the exclusive worldwide right to commercialize M&R's patented dual fuel alternative energy technology.

On April 27, 2012, we entered into amendment to the patent license agreement. The amendment amends the royalty provisions in the license to modify the calculation of the royalty payments and to amend the timing of the royalty payments. Under the provisions of this amendment, effective April 1, 2012 the monthly royalty amount due to M&R will be the lesser of 10% of net sales or 30% of pre-royalty EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). No royalties will be due if cumulative EBITDA is less than zero. During the fiscal years ended September 30, 2013 and 2012 we incurred license fees to M&R of \$0 and \$120,404, respectively. M&R also agreed to waive any prior defaults under the license. In addition, we amended the amended and restated promissory note dated December 1, 2009 to extend the maturity of the note until February 15, 2015 and to defer all interest and principal payments due under the note during calendar 2012. Thereafter, the aggregate principal amount due under the note will be paid in eight equal quarterly payments plus interest.

In conjunction with the July 2009 acquisition we acquired a promissory note from the previous owners of M&R, payable to American Power Group Corporation, in the principal amount of \$800,000. Per our agreement, 25% of any royalties due from time to time to M&R under a technology license agreement will be applied against outstanding interest and principal due under the terms of the note rather than be paid to M&R. In conjunction with the 10% Convertible Preferred Stock financing, on April 27, 2012, we amended the note to extend the maturity of the note from July 2013 to February 2015 and defer all interest and principal payments due under the note during calendar 2012. Thereafter, the aggregate principal amount due under the note will be paid in eight equal quarterly payments plus interest. During the fiscal years ended September 30, 2013 and 2012 we applied \$0 and \$31,923 of license fees due against accrued interest due under the note. As of September 30, 2013, accrued interest due under the note was \$63,022.

Our dual fuel conversion subsidiary leases office and warehousing space in Iowa from M&R. On October 1, 2011, we executed a new two year lease agreement requiring monthly rental payments of \$10,000 on a triple net basis. On May 1, 2012, we executed a new three year lease with M&R. Under the terms of the lease, monthly rental payments of \$10,000 on a triple net basis are required for the first year and then increasing in years two and three by the percentage growth in the Greater Des Moines Consumer Price Index (or equivalent index) for the latest available twelve months prior to the date of the increase. We have the option to renew this lease for an additional two year term at a mutually agreed upon rate. For the fiscal years ended September 30, 2013 and 2012, total related party rental expense in connection with non-cancellable real estate leases amounted to \$142,297 and \$143,248, respectively.

In February and March 2011, in connection with a private placement of additional promissory notes, Mr. Boyd loaned us \$20,000. We issued 0.5 shares of unregistered Common Stock for each dollar invested in the offering, or 10,000 shares of Common Stock to Mr. Boyd. We repaid this note in full in May 2012.

On October 12, 2011 Mr. Jensen loaned us \$150,000 pursuant to the terms of a 10% promissory note due April 30, 2014.

On April 27, 2012, we entered into amendments to promissory notes in the aggregate principal amount of \$473,500 held by Charles Coppa, our Chief Financial Officer; Lyle Jensen, a member of our Board of Directors and our

President and Chief Executive Officer; and Dr. Allen Kahn, a former member of our Board of Directors. These amendments reduced the interest rates of the promissory notes to 8% per annum and extended the maturity dates of the notes to April 30, 2014. On April 30, 2014, we further amended the promissory note originally issued to Dr. Kahn, now held by the Allen Kahn Revocable Trust AKA Allen Kahn, M.D. Revocable Trust, to extended the maturity date of the original note to September 30, 2014, to modify the payment provisions of the note and to waive any prior defaults under the note; and we amended the promissory notes issued to Messrs. Jensen and Coppa to extended the maturity date of the original notes to September 30, 2014 and to waive any prior defaults under these notes. In September and October 2010, in connection with a private placement of our 12% unsecured, six-month promissory notes to third parties, Dr. Kahn and Mr. Coppa loaned us \$273,500 and \$50,000, respectively. In addition, we issued 0.5 shares of

unregistered Common Stock for each dollar invested in the offering, including 136,750 and 25,000 shares of Common Stock to the director and officer, respectively. In March 2011, the note holders agreed to extend the maturity date of the notes to the earlier of the completion of a financing of at least \$3 million or six months after the original maturity date of the notes. In consideration of these extensions, we issued 0.5 additional shares of unregistered Common Stock for each dollar invested in the offering, including 136,750 and 25,000 shares of Common Stock to the director and officer, respectively.

All transactions, including loans, between us and our officers, directors, principal stockholders, and their affiliates are approved by a majority of the independent and disinterested outside directors on the Board of Directors. Management believes these transactions were consummated on terms no less favorable to us than could be obtained from unaffiliated third parties.

Independence of the Board of Directors

The Board of Directors has adopted director independence guidelines that are consistent with the definitions of "independence" as set forth in Section 301 of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 under the Securities Exchange Act of 1934. In accordance with these guidelines, the Board of Directors has reviewed and considered facts and circumstances relevant to the independence of each of our directors and has determined that, each of Messrs. Needham, Boyd, Braverman, Weston and Wong qualifies as "independent".

The Board of Directors has determined that each of Messrs. Needham, Boyd, Braverman, Weston and Wong are independent as defined under the NYSE Alternext US Rules, including, in the case of members of the Audit Committee, the independence requirements contemplated by Rule 10A-3, under the Exchange Act.

EXPERTS

Our consolidated financial statements for the years ended September 30, 2013 and 2012 included in this prospectus, and included in the registration statement, were audited by Schechter, Dokken, Kanter, Andrews & Selcer, Ltd., an independent registered public accounting firm, as stated in their report appearing with the consolidated financial statements herein and incorporated in this registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

Morse Barnes-Brown & Pendleton, P.C. has passed upon the validity of the securities offered hereby.

DESCRIPTION OF CAPITAL STOCK

The following description of our securities, including all material provisions of our Common Stock, and provisions of our Restated Certificate of Incorporation, as amended, and our By-Laws is only a summary. You should refer to our Restated Certificate of Incorporation, as amended, and our By-Laws, copies of which have been filed as an exhibit to our Quarterly Report on Form 10-Q which we filed with the SEC on August 14, 2012, and our Annual Report on Form 10-K, which we filed with the SEC on January 13, 2012, respectively. The following discussion is qualified in its entirety by reference to such exhibits.

Authorized Capital Stock

We are authorized to issue 150,000,000 shares of Common Stock, with a par value of \$0.01 per share, and 1,000,000 shares of Preferred Stock," with a par value of \$1.00 per share, and which may be issued in one or more series. On April 30, 2012, our Board of Directors designated 1,146 of such shares of preferred stock as our 10% Convertible Preferred Stock, all of which shares were issued on that date.

Capital Stock Issued and Outstanding

As of May 27, 2014, there were issued and outstanding:

50,328,402 shares of Common Stock;

- 941.4 shares of 10% Convertible Preferred Stock, convertible into 24,461,655 shares of Common Stock;

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Options to purchase 3,950,000 shares of our Common Stock at exercise prices ranging from \$.23 to \$1.10 per share;
and
Warrants to purchase 26,408,294 shares of our Common Stock at exercise prices ranging \$.40 to \$.61 per share.

Common Stock

Holders of our Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, including the election of directors. The holders of Common Stock voting as a separate class are entitled to elect three members of the Board of Directors. Holders of our Common Stock are entitled to receive ratably such dividends, if any, as may be declared by our Board of Directors out of funds legally available therefore, subject to any preferential dividend rights of outstanding Preferred Stock. Upon our liquidation or dissolution, the holders of Common Stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding Preferred Stock. Holders of our Common Stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which we may designate and issue in the future.

10% Convertible Preferred Stock

The 10% Convertible Preferred Stock has a 10% annual dividend, payable quarterly in cash or in shares of Common Stock. As of the date of issuance, each share of 10% Convertible Preferred Stock is convertible, at any time and at the option of the holder, into 25,000 shares of Common Stock. The conversion ratio of the 10% Convertible Preferred Stock is subject to adjustment in the event the Company issues shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share which is less than the conversion price of the Preferred Stock. The conversion price of the 10% Convertible Preferred Stock is currently \$0.40 per share.

The holders of the 10% Convertible Preferred Stock will vote with the Common Stock on all matters presented to the holders of the Common Stock, other than the election of certain directors, on an as converted into Common Stock basis. The holders of 10% Convertible Preferred Stock voting as a separate class are entitled to elect three members of the Board of Directors. The holders of the 10% Preferred Stock also have certain rights to elect additional members of the Board of Directors in the event we fail to make the dividend payments as required by the terms of the 10% Preferred Stock. In addition, the approval of the holders of at least 67% of the outstanding 10% Convertible Preferred Stock will be required before we may take certain actions.

The holders of the 10% Convertible Preferred Stock have priority in the event of a liquidation of our company over the outstanding shares of Common Stock. Upon liquidation, dissolution or winding up of our company, whether voluntary or involuntary, before any distribution or payment is made to the holders of the Common Stock, the holders of the 10% Convertible Preferred Stock are entitled to be paid out of the assets of the company an amount equal to the stated value of the 10% Convertible Preferred Stock, which is initially \$10,000 per share, plus any accrued, but unpaid, dividends.

The 10% Convertible Preferred Stock may be required to convert into shares of Common Stock at our election if the trading price of the Common Stock meets certain thresholds as set forth in the Certificate of Designations. If we fail to meet certain obligations regarding the registration of the 10% Convertible Preferred Stock or certain other matters affecting the 10% Convertible Preferred Stock, the holders of 10% Convertible Preferred Stock may require the company to redeem the 10% Convertible Preferred Stock.

Preferred Stock

In addition, our Board of Directors is authorized, subject to certain limitations prescribed by law, without further stockholder approval, to issue from time to time up to an aggregate of 998,854 shares of Preferred Stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each such series thereof, including the dividend rights, dividend rates, conversion rights, voting rights and terms of redemption of shares constituting any series or designations of such series. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any Preferred Stock that may be issued in the future. Issuance of Preferred Stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of our company.

Warrants

In November 2012, we issued a warrant to purchase 1,540,000 shares of Common Stock at an exercise price of \$.55 per share to WheelTime Network, LLC, a truck service network with 18 member companies, as a result of entering into a National Distributor and Master Marketing Agreement with WheelTime. The warrant is immediately exercisable with respect to 100,000 shares of Common Stock with the remaining shares becoming exercisable in increments of 50,000 shares upon the execution of a certified installer agreement and a dealer agreement by each of the 18 members during the first year after the issue date of the warrant. An additional 30,000 shares per member become exercisable if a member agrees to become an exclusive dealer by December 31, 2013. As of December 31, 2013, all 18 members have become certified dealers and installers but none have become exclusive dealers and therefore warrants to purchase 540,000 shares have terminated. The warrant will expire on December 31, 2017. On April 30, 2012, we issued warrants to purchase 20,540,000 shares of Common Stock to investors in a private placement. Each warrant enables the holder to purchase shares of Common Stock at an exercise price of \$0.50 per share. Between December 2012

and March 2013, we issued warrants to purchase 6,846,660 shares of Common Stock to investors pursuant to the additional investment rights granted to each investor in the April 30, 2012 private placement. Each warrant enables the holder to purchase shares of Common Stock at an exercise price of \$0.50 per share. In connection with the private placement, we also issued warrants to purchase 450,000 shares to the placement agent. The placement agent's warrants enable the holders to purchase shares of Common Stock at an exercise price of \$0.40 per share. All of the warrants are subject to adjustment in the event we issue shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share which is less than the exercise price and upon other customary terms, and may be exercised at any time during a five-year period beginning on the six-month anniversary of the date of issuance.

Between April 2011 and February 2012, we issued warrants to purchase 1,517,200 shares of Common Stock to purchasers of certain convertible promissory notes. These warrants enable the holders to purchase shares of Common Stock at exercise prices ranging from \$.42 to \$.61 per share. The warrants are subject to adjustment in the event of certain subdivisions or combinations of our Common Stock, including stock splits and stock dividends, and may be exercised at any time during a five-year period beginning on the date of issuance.

The descriptions of the warrants are only a summary and are qualified in their entirety by the provisions of each warrant.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, Washington, D.C. 20549, under the Securities Act of 1933, a registration statement on Form S-1 relating to the shares of Common Stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to our company and the shares we are offering by this prospectus you should refer to the registration statement, including the exhibits and schedules thereto. You may inspect a copy of the registration statement without charge at the Public Reference Room of the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains an Internet site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The Securities and Exchange Commission's World Wide Web address is www.sec.gov.

We file periodic reports, proxy statements and other information with the Securities and Exchange Commission in accordance with requirements of the Exchange Act. These periodic reports, proxy statements and other information are available for inspection and copying at the public reference facilities and Internet site of the Securities and Exchange Commission referred to above. In addition, you may request a copy of any of our periodic reports filed with the Securities and Exchange Commission at no cost, by writing or telephoning us at the following address:

Investor Relations

American Power Group Corporation
7 Kimball Lane, Building A
Lynnfield, Massachusetts 01940
(781) 224-2411

Information contained on our website is not a prospectus and does not constitute a part of this prospectus. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the Securities and Exchange Commission are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements. You should rely only on the information contained in or incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION
FOR SECURITIES ACT LIABILITIES

Pursuant to our Restated Certificate of Incorporation and Bylaws, we may indemnify our officers and directors to the fullest extent authorized by Delaware law, as the same exists or may hereafter be amended. We have agreed to indemnify each of our directors and certain officers against certain liabilities, including liabilities under the Securities Act of 1933. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the provisions described above, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore,

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unenforceable. In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

FINANCIAL STATEMENTS
AMERICAN POWER GROUP CORPORATION

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American Power Group Corporation
Condensed Consolidated Balance Sheets

	March 31, 2014 (Unaudited)	September 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$880,429	\$1,684,169
Certificates of deposit, restricted	300,000	300,000
Accounts receivable, trade, less allowance for doubtful accounts of \$68,389 and \$120,393 as of March 31, 2014 and September 30, 2013, respectively	1,653,107	1,612,280
Inventory	921,027	908,059
Prepaid expenses	66,241	150,816
Other current assets	42,741	48,472
Assets related to discontinued operations	—	66,922
Total current assets	3,863,545	4,770,718
Property, plant and equipment, net	875,017	929,821
Other assets:		
Seller's note, related party, non-current	797,387	797,387
Long term contracts, net	266,667	291,667
Purchased technology, net	266,667	291,667
Software development costs, net	3,198,335	3,180,804
Other	154,613	134,469
Total other assets	4,683,669	4,695,994
	\$9,422,231	\$10,396,533
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$723,105	\$1,086,347
Accrued expenses	839,898	914,023
Billings in excess of cost	—	7,533
Notes payable, current	99,366	106,972
Notes payable, related parties, current	473,500	473,500
Obligations due under lease settlement, current	68,518	68,518
Total current liabilities	2,204,387	2,656,893
Notes payable, non-current	1,995,319	1,490,160
Obligations due under lease settlement, non-current	505,540	505,540
Total liabilities	4,705,246	4,652,593
Stockholders' equity:		
Preferred stock, \$1.00 par value, 998,854 shares authorized, 0 shares issued and outstanding	—	—
10% Convertible Preferred stock, \$1.00 par value, 941 shares authorized, 942 shares issued and outstanding at March 31, 2014 and September 30, 2013	941	942
Common stock, \$.01 par value, 150 million shares authorized, 50,279,280 shares and 48,375,316 issued and outstanding at March 31, 2014 and September 30, 2013	502,793	483,753
Additional paid-in capital	66,824,501	66,570,909
Accumulated deficit	(62,611,250)	(61,311,664)
Total stockholders' equity	4,716,985	5,743,940
	\$9,422,231	\$10,396,533

See accompanying notes to unaudited condensed interim consolidated financial statements.

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American Power Group Corporation
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Net sales	\$1,258,489	\$1,852,162	\$3,101,010	\$2,727,115
Cost of sales	911,518	1,135,806	1,852,427	1,710,210
Gross profit	346,971	716,356	1,248,583	1,016,905
Operating expenses:				
Selling, general and administrative	932,474	1,265,744	1,924,091	2,148,626
Operating loss from continuing operations	(585,503)	(549,388)	(675,508)	(1,131,721)
Non operating income (expense)				
Interest and financing costs	(44,897)	(46,778)	(91,004)	(87,369)
Interest income	11,010	11,455	22,295	23,515
Other, net	(36,136)	(25,798)	(74,883)	(54,720)
Non operating expense, net	(70,023)	(61,121)	(143,592)	(118,574)
Net loss	(655,526)	(610,509)	(819,100)	(1,250,295)
10% Convertible Preferred dividends	(235,447)	(187,391)	(480,486)	(400,096)
Net loss available to Common stockholders	\$(890,973)	\$(797,900)	\$(1,299,586)	\$(1,650,391)
Loss from continuing operations per share - basic and diluted	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.03)
Net loss per Common share - 10% Preferred dividend	(0.01)	(0.01)	(0.01)	(0.01)
Net loss attributable to Common stockholders per share - basic and diluted	\$(0.02)	\$(0.02)	\$(0.03)	\$(0.04)
Weighted average shares outstanding - basic and diluted	49,062,385	46,353,829	48,722,918	45,972,012

See accompanying notes to unaudited condensed interim consolidated financial statements.

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American Power Group Corporation
Condensed Consolidated Statement of Changes in Stockholders' Equity
For the Six Months Ended March 31, 2014
(Unaudited)

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid In Capital	Deficit	
Balance, October 1, 2013	942	\$942	48,375,316	\$483,753	\$66,570,909	\$(61,311,664)	\$5,743,940
Compensation expense associated with stock options	—	—	—	—	46,167	—	46,167
Common stock issued upon option and warrant exercise	—	—	1,676,184	16,762	21,540	—	38,302
Common stock issued upon Preferred stock conversion	(1) (1) 8,870	89	(88) —	—
Additional fees related to issuance of 10% Convertible Preferred stock dividend	—	—	—	—	(8,761) —	(8,761
Common stock issued for 10% Convertible Preferred stock dividend	—	—	218,910	2,189	194,734	(196,923) —
10% Convertible Preferred stock dividend paid in cash	—	—	—	—	—	(283,563) (283,563
Net loss for the six months ended March 31, 2014	—	—	—	—	—	(819,100) (819,100
Balance, March 31, 2014	941	\$941	50,279,280	\$502,793	\$66,824,501	\$(62,611,250)	\$4,716,985

See accompanying notes to unaudited condensed interim consolidated financial statements.

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American Power Group Corporation
 Condensed Consolidated Statements of Cash Flows
 (Unaudited)

	Six Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$(819,100) \$(1,250,295)
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares issued for services rendered	—	392,633
Loss on disposal of property and equipment	—	680
Depreciation expense	166,437	