UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **March 31, 2014**
OR
[_] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to _____________

Commission file number: **000-52337**

BALQON CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**33-0989901**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1420 240th Street, Harbor City, California 90710	**90710**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(310) 326-3056**

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

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

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

Large Accelerated Filer [_]	Accelerated Filer [_]
Non-Accelerated Filer [_] (do not check if Smaller Reporting Company)	Smaller Reporting Company [X]

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

The number of shares outstanding of the Registrant's common stock, $0.001 par value, as of May 20, 2014, was 36,891,530.

DOCUMENTS INCORPORATED BY REFERENCE

None

CAUTIONARY STATEMENT

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements concerning projected net sales, costs and expenses and gross profit margins; our accounting estimates, assumptions and judgments; the demand for our products; the competitive nature of and anticipated growth in our industries; and our prospective needs for additional capital. These forward-looking statements are based on our current expectations, estimates, approximations and projections about our industries and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are listed under "Risk Factors" in this Quarterly Report on Form 10-Q. These forward-looking statements speak only as of the date of this report. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

BALQON CORPORATION

QUARTERLY REPORT
ON
FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

BALQON CORPORATION
CONDENSED BALANCE SHEETS

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,481	$ 21,573
Accounts receivable, trade, net of allowance for doubtful accounts of $199,300 and $199,300 respectively	111,585	74,825
Inventories	199,932	276,202
Prepaid expenses	88,238	110,763
Total current assets	412,236	483,363
Property and equipment, net	17,215	19,747
Other assets:		
Deposits	14,400	14,400
Total assets	$ 443,851	$ 517,510
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued expenses	$ 2,367,259	$ 2,207,731
Accounts payable to related parties	2,779,050	2,700,250
Customer deposits	1,039,058	1,163,470
Payroll taxes payable	371,745	351,191
Accrued amounts due officer	861,669	804,467
Advances from shareholder	5,018	5,018
Derivative liability	1,186,758	1,076,792
Convertible notes, net of discount – in default	3,361,500	3,361,500
Total current liabilities	11,972,057	11,670,419
SHAREHOLDERS' DEFICIENCY		
Common stock, $0.001 par value, 100,000,000 shares authorized, 36,891,530 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	36,891	36,891
Additional paid in capital	19,982,383	19,982,383
Accumulated deficit	(31,547,480)	(31,172,183)
Total shareholders' deficiency	(11,528,206)	(11,152,909)
Total liabilities and shareholders' deficiency	$ 443,851	$ 517,510

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

BALQON CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (Unaudited)

	Three Months Ended March 31,	
	2014	**2013**
REVENUES	$ 424,018	$ 447,387
COSTS OF REVENUES	336,979	427,197
GROSS PROFIT	87,039	20,190
OPERATING EXPENSES		
General and administrative	233,943	780,931
Research and development	7,881	26,678
Depreciation and amortization	2,532	3,693
Total operating expenses	244,356	811,302
LOSS FROM OPERATIONS	(157,317)	(791,112)
Change in fair value of derivative liabilities	(109,966)	(170,953)
Interest expense	(108,014)	(396,159)
NET LOSS	$ (375,297)	$ (1,358,224)
Net loss per share – basic and diluted	$ (0.01)	$ (0.04)
Weighted average shares outstanding, basic and diluted	36,891,530	36,891,530

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

BALQON CORPORATION
CONDENSED STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2014(Unaudited)

	Common Stock, $0.001 Par Value		Additional Paid in	Accumulated	
	Number	Amount	Capital	Deficit	Total
Balances, December 31, 2013	36,891,530	$ 36,891	$ 19,982,383	$ (31,172,183)	$ (11,152,909)
Net loss	–	–	–	(375,297)	(375,297)
Balances, March 31, 2014	36,891,530	$ 36,891	$ 19,982,383	$ (31,547,480)	$ (11,528,206)

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

BALQON CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (Unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Cash flows from operating activities:		
Net loss	$ (375,297)	$ (1,358,224)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,532	3,693
Fair value of common stock transferred by shareholder to settle Company debts	–	323,176
Cost to induce conversion of warrants		
Change in fair value of derivative liability	109,966	170,953
Amortization of note discount	–	280,654
Changes in operating assets and liabilities:		
Accounts receivable	(36,760)	(58,361)
Inventories	76,270	32,483
Prepaid expenses	22,526	22,697
Payroll taxes payable	20,553	17,791
Accounts payable and accrued expenses	295,530	591,575
Customer advances	(124,412)	(33,201)
Net cash used in operating activities	(9,092)	(6,764)
Decrease in cash and cash equivalents	(9,092)	(6,764)
Cash and cash equivalents, beginning of period	21,573	33,869
Cash and cash equivalents, end of period	$ 12,481	$ 27,105

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

BALQON CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE THREE ENDED MARCH 31, 2014 AND 2013 (Unaudited)

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Company

Balqon Corporation, a California corporation ("Balqon California"), was incorporated on April 21, 2005 and commenced business operations in 2006. On October 24, 2008, Balqon California completed a merger with BMR Solutions, Inc., a Nevada corporation ("BMR"), with BMR being the survivor of the merger. Upon the closing, BMR changed its name to Balqon Corporation (the "Company"). The Company develops and manufactures electric drive systems and energy storage systems for electric vehicles, industrial equipment and renewable energy storage devices. The Company also designs and assembles electric powered yard tractors, short haul drayage tractors and inner city Class 7 and 8 delivery trucks utilizing its proprietary drive system technologies.

Basis of Presentation of Unaudited Financial Information

The unaudited financial statements of the Company for the three months ended March 31, 2014 and 2013 have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K for scaled disclosures for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the Company's financial position and results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2013 was derived from the audited financial statements included in the Company's financial statements as of and for the years ended December 31, 2013 and 2012 contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on April 15, 2014. These financial statements should be read in conjunction with that report.

Going Concern

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the three months ended March 31, 2014, the Company utilized cash flow from operations of $9,092. As of March 31, 2014, the Company had a working capital deficit of $11,559,821 and a shareholders' deficiency of $11,528,206. In addition, the Company has not paid $371,745 in payroll taxes and is delinquent in payment of $3,361,500 in principal of its convertible notes and $869,540 of interest due on its convertible notes payable. Pursuant to the terms of the notes, the non-payment of principal and interest by the Company constitutes an event of default and, as a result, the holders of the notes may accelerate payment of all amounts outstanding under the notes by giving written notice to the Company and thereby requiring that the Company immediately pay all principal and accrued and unpaid interest. If the holders of the notes were to declare the notes due and payable, the Company presently does not have the ability to pay these notes. In addition, as of March 31, 2014, $2,006,500 of the notes are secured under the terms of a security agreement granting the holders of the notes a security interest in all of the Company's assets (including all intellectual property assets of the Company) subject to the interests of the holders of senior indebtedness (as that term is defined in the notes).

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital and to ultimately achieve sustainable revenues and profitable operations. The Company's independent auditors, in their report on our audited financial statements for the fiscal year ended December 31, 2013, expressed substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company does not currently have sufficient liquidity to meet its anticipated working capital, debt service and other liquidity needs in the very near-term. The Company believes that it has sufficient working capital to continue operations only through the remainder of 2014 unless it successfully restructures its debt, experiences a significant improvement in sales and obtains other sources of liquidity. In addition, although various secured creditors holding approximately $2,006,500 in secured convertible notes and secured debentures have not exercised their rights to foreclose on all of the Company's assets (including its intellectual property assets), no assurance can be given that these holders of secured debt will not exercise their remedies under the Company's outstanding secured notes and secured debentures.

The Company has been, and currently is, working towards identifying and obtaining new sources of financing. No assurances can be given that the Company will be successful in obtaining additional financing in the future. Any future financing that the Company may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that the Company is able to obtain will likely include financial and other covenants that will restrict the Company's flexibility. At a minimum, the Company expects these covenants to include restrictions on its ability to pay dividends on its common stock. Any failure to comply with these covenants would have a material adverse effect on the Company's business, prospects, financial condition, results of operations and cash flows. In addition, the Company's senior secured convertible debentures issued between July and December 2010 contain covenants that include restrictions on the Company's ability to pay dividends on its common stock.

If adequate funds are not available, the Company may be required to delay, scale back or eliminate portions of its operations and product and service development efforts or to obtain funds through arrangements with strategic partners or others that may require the Company to relinquish rights to certain of its technologies or potential products or other assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of the Company's proprietary technology and other important assets and could also adversely affect its ability to fund the Company's continued operations and its product and service development efforts. Although the Company is actively pursuing a number of alternatives, including seeking to restructure its debt and seeking to raise additional debt or equity financing, or both, there can be no assurance that the Company will be successful. See "Risk Factors"

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Material estimates relate to the recognition of contract revenues and estimated costs to complete, recoverability of reported amounts of long-lived assets, and assumptions made in valuing derivative instruments and equity instruments issued for compensation. Actual results may differ from those estimates.

Revenues

Sales of Production Units and Parts

The Company recognizes revenue from the sale of completed production units and parts when there is persuasive evidence that an arrangement exists, delivery of the product has occurred and title has passed, the selling price is both fixed and determinable, and collectability is reasonably assured, all of which generally occurs upon shipment of its product or delivery of the product to the destination specified by the customer.

The Company determines whether delivery has occurred based on when title transfers and the risks and rewards of ownership have transferred to the buyer, which usually occurs when the Company places the products with the buyer's carrier. The Company regularly reviews its customers' financial positions to ensure that collectability is reasonably assured. Except for warranties, the Company has no post-sales obligations.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally on a first-in-first-out average cost basis. Recorded inventories at March 31, 2014 do not include approximately $250,000 of batteries and other items held on consignment from Seven One Battery Company, an affiliate of the Company's Chairman of the Board. (See Note 5). Inventories at March 31, 2014 consisted of raw materials.

Loss Per Share

Basic loss per share has been computed using the weighted average number of common shares outstanding and issuable during the period. Diluted loss per share is computed based on the weighted average number of common shares and all common equivalent shares outstanding during the period in which they are dilutive. Common equivalent shares consist of shares issuable upon the exercise of stock options, warrants or other convertible securities such as convertible notes. For the three months ended March 31, 2014 and 2013, common stock equivalent shares have been excluded from the calculation of loss per share as their effect is anti-dilutive.

The following table summarizes the weighted average shares and common stock equivalents outstanding as of March 31, 2014 and 2013:

	March 31, 2014	March 31, 2013
Weighted average shares outstanding	36,891,530	36,891,530
Common stock equivalents:		
Options exercisable into common shares	–	–
Warrants exercisable into common shares	10,295,500	10,295,500
Notes payable convertible into common shares	6,814,583	6,814,583
Total, common stock equivalents	17,110,083	17,110,083

Financial Assets and Liabilities Measured at Fair Value

The Company's financial instruments include cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses and accounts payable to related party. Management considers the carrying amounts to approximate their fair values due to their short-term nature. The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Financial assets recorded at fair value in the condensed balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by the Financial Accounting Standards Board ("FASB") defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs, other than the quoted prices in active markets, that is observable either directly or indirectly.

Level 3 Unobservable inputs based on the Company's assumptions.

The following table presents certain investments and liabilities of the Company's financial assets measured and recorded at fair value on the Company's condensed balance sheets on a recurring basis and their level within the fair value hierarchy as of March 31, 2014 and December 31, 2013.

March 31, 2014	Level 1	Level 2	Level 3	Total
Fair value of Derivative Liability	$ –	$ –	$ 1,186,758	$ 1,186,758

December 31, 2013	Level 1	Level 2	Level 3	Total
Fair value of Derivative Liability	$ –	$ –	$ 1,076,792	$ 1,076,792

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The Company uses a probability weighted average Black-Scholes-Merton model to value the derivative instruments. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and unsecured accounts receivable.

The Company maintains cash balances at one bank. At times, the amount on deposit exceeds the federally insured limits. Management believes that the financial institution that holds the Company's cash is financially sound and, accordingly, minimal credit risk exists. As of March 31, 2014 and March 31, 2013 the Company did not have any amount in excess of insured limits maintained at the bank.

For the three months ended March 31, 2014, 40%, 24% and 12% of revenues were from three customers. For the three months ended March 31, 2013, 38% of total revenues were from one customer. At March 31, 2014, a single customer represented 76% of total accounts receivable. Accounts receivable from a single customer represented 69% of total accounts receivable at December 31, 2013.

For the three months ended March 31, 2014, 44% of costs of revenue were to one vendor. At March 31, 2014, accounts payable to the largest vendor represented 60% of total accounts payable. The vendor is a related party. (See Note 5)

For the three months ended March 31, 2013, 88% of costs of revenue were to one vendor. At March 31, 2013, accounts payable to the largest vendor represented 58% of total accounts payable. The vendor is a related party. (See Note 5)

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of operations or financial condition.

Other accounting pronouncements did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 2 –CONVERTIBLE PROMISSORY NOTES – IN DEFAULT

Convertible notes payable in default consist of the following as of March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Subordinated secured convertible notes payable, interest at 10% per annum payable quarterly, due March 31, 2013 (1)	$ 891,500	$ 891,500
Subordinated unsecured convertible notes payable, interest at 10% per annum payable quarterly, due March 31, 2012 (2)	25,000	25,000
Subordinated unsecured convertible notes payable, interest at 10% per annum payable quarterly, due September 1, 2012 (3)	1,330,000	1,330,000
Senior secured convertible notes payable, interest at 10% per annum payable quarterly, due March 31, 2013 (4)	775,000	775,000
Secured Convertible Note Payable, Interest at 10% per annum payable quarterly, due March 31, 2013 (5)	340,000	340,000
Convertible notes payable	$ 3,361,500	$ 3,361,500

(1) In March 2009, the Company entered into agreements with 34 accredited investors for the sale by the Company 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 1,000,000 shares of the Company's common stock at a conversion price of $1.00 per share of common stock, subject to adjustment. The notes are subordinated to the right to the prior payment of all Senior Indebtedness (as defined in the notes). Additionally, the Company issued three-year warrants to purchase an aggregate of 1,000,000 shares of the Company's common stock at an exercise price of $1.50 per share.

During the three months ended March 31, 2012, the Company negotiated Amendment and Exchange Agreements with holders of its 10% unsecured notes payable that matured on March 31, 2012. The terms of the Amendment and Exchange Agreements provide that the maturity date of these notes (the "Amended Notes") was extended until March 31, 2013, and are now currently in default. The Amended Notes continue to accrue interest at the rate of 10% and are subject to a security agreement. The Amendment and Exchange Agreements also provide that the Amended Notes are convertible into common stock of the Company at a price of $0.40 per share, subject to adjustment for a weighted average anti-dilution provision. In connection with the issuance of the Amended Notes, the Company issued three-year warrants to purchase up to 975,000 shares of common stock at an exercise price per share of $0.40. As of March 31, 2014 and December 31, 2013, $891,500 was outstanding under these notes.

The Amended Notes were due on March 31, 2013 (the "Maturity Date") and are currently in default due to non-payment of the notes by the Company. The Amended Notes are secured under the terms of a security agreement granting the holders of the Amended Notes a security interest in all of the Company's personal property subject to the interests of the holders of Senior Indebtedness (as defined in the Amended Notes). The security interest granted is subordinate to existing bank financing and the 10% Senior Secured Convertible Debentures that currently have a principal balance due of $775,000.

Each of the agreements governing the Amended Notes and warrants includes an anti-dilution provision that allows for the automatic reset of the conversion or exercise price upon any future sale of the Company's common stock, warrants, options, convertible debt or any other equity-linked securities at an issuance, exercise or conversion price below the current conversion price of the Amended Notes or exercise price of the warrants issued with the Amended Notes. The Company considered the current FASB guidance of "Determining Whether an Instrument Indexed to an Entity's Own Stock" which indicates that any adjustment to the fixed amount (either conversion price or number of shares) of the instrument regardless of the probability or whether or not within the issuers' control, means the instrument is not indexed to the issuers own stock. Accordingly, the Company determined that the conversion price of the Amended Notes and the exercise price of the warrants are not a fixed amount because they are subject to fluctuation based on the occurrence of future offerings or events. As a result, the Company determined that the conversion features and the warrants are not considered indexed to the Company's own stock and characterized the initial fair value of these conversion features and warrants as derivative liabilities upon issuance. The fair value of these conversion features and warrants was considered a note discount at issuance and was amortized as interest expense over the life of the Note. During the three months ended March 31, 2013 the Company included in interest expense $207,357, relating to the amortization of this discount. As of March 31, 2014 and December 31, 2013, the note discount was fully amortized.

(2) A holder of $25,000 in principal of the Company's 10% Unsecured Convertible Promissory Notes issued between March 25, 2009 and June 19, 2009 did not accept the Company's offer under the Amendment and Exchange Agreements (see note 1 above) to exchange this note for an Amended Note that matures on March 31, 2013. As such, this 10% Unsecured Convertible Promissory Note matured on March 31, 2012 and is in default due to non-payment of the note by the Company.

(3) Between February 5, 2010 and April 12, 2010, the Company entered into agreements with seven accredited investors for the sale by the Company of an aggregate of $1,500,000 of 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 1,999,993 shares of the Company's common stock at a conversion price of $0.75 per share of common stock, subject to adjustment. As of March 31, 2014 and December 31, 2013, $1,330,000 in principal was outstanding under these notes. The notes matured on September 1, 2012 and are presently in default due to non-payment.

The fair value of the conversion features and warrants was considered a note discount at issuance and was amortized as interest expense over the life of the Note. As of March 31, 2014 and December 31, 2013, the note discount was fully amortized.

(4) Between July 2010 and December 2010, the Company entered into agreements with 26 accredited investors for the sale by the Company of an aggregate of $850,000 of 10% Senior Secured Convertible Debentures (the "Debentures") which are convertible into an aggregate of 1,133,333 shares of the Company's common stock at a conversion price of $0.75 per share, subject to adjustment. In connection with this offering, the Company also issued to the investors warrants to purchase an aggregate of 850,000 shares of the Company's common stock at an exercise price of $0.75 per share, subject to adjustment. The Company also issued to its placement agent warrants to purchase 68,000 shares of the Company's common stock at an exercise price of $0.75 per share, subject to the same adjustments and terms as those warrants issued to investors. Under the adjustment provisions of the Debentures and warrants, the conversion price of the Debentures and the exercise price of the warrants were reduced to $0.56 in connection with various dilutive issuances made in 2011 and 2010.

As of March 31, 2014 and December 31, 2013 $775,000 in principal was outstanding under these Debentures. The Debentures were due on September 30, 2012, and subsequently extended to, March 31, 2013 (the "Maturity Date") and are now in default due to non-payment. The Debentures are secured under the terms of a security agreement granting the holders of the Debentures a security interest in all of the Company's personal property.

Each of the agreements governing the Debentures and warrants includes an anti-dilution provision that allows for the automatic reset of the conversion or exercise price upon any future sale of common stock instruments at or below the current exercise price. The Company considered the current FASB guidance of "Determining Whether an Instrument Indexed to an Entity's Own Stock" which indicates that any adjustment to the fixed amount (either conversion price or number of shares) of the instrument regardless of the probability or whether or not within the issuers' control, means the instrument is not indexed to the issuers own stock. Accordingly, the Company determined that the conversion price of the Debentures and the exercise price of the warrants are not a fixed amount because they are subject to fluctuation based on the occurrence of future offerings or events. As a result, the Company determined that the conversion features and the warrants are not considered indexed to the Company's own stock and characterized the fair value of these warrants as derivative liabilities upon issuance. The fair value of the conversion features and warrants was considered a note discount at issuance and was amortized as interest expense over the life of the Note. As of March 31, 2014 and December 31, 2013, the note discount was fully amortized.

(5) On May 18, 2012, the Company entered into Agreements with 3 accredited investors for a sale by the Company of an aggregate of $340,000 10% Secured Subordinated Convertible Promissory Notes (the "May 2012 Notes") which are convertible into an aggregate of 850,000 shares of the Company's common stock at a conversion price of $0.40 per share of common stock, subject to adjustment. The notes were due on March 31, 2013 and are now in default due to non-payment. The May 2012 Notes are subordinated to the right to the prior payment of all Senior Indebtedness (as defined in the notes). The notes pay quarterly interest at the rate of 10% and are subject to a security agreement that secures the notes by the Company's assets. The security agreement is subordinate to existing bank financing and the Debentures (as defined below) that currently have a principal balance due of $775,000 and the Amended Notes that currently have a balance due of $891,500. Additionally, the Company issued three-year warrants to purchase an aggregate of 340,000 shares of the Company's common stock at an exercise price of $0.40 per share, subject to standard anti-dilution adjustments. As of March 31, 2014 and December 31, 2013 $340,000 was outstanding under these notes.

The conversion price of the May 2012 Notes are subject to full ratchet anti-dilution provisions and also subject to adjustment based on stock splits, stock dividends, spin-offs, rights offerings, or recapitalization through a large, nonrecurring cash dividend. Each of the agreements governing the May 2012 Notes include an anti-dilution provision that allows for the automatic reset of the conversion price upon any future sale of the Company's common stock, warrants, options, convertible debt or any other equity-linked securities at an issuance, exercise or conversion price below the current conversion price of the May 2012 Notes. The Company considered the current FASB guidance of "Determining Whether an Instrument Indexed to an Entity's Own Stock" which indicates that any adjustment to the fixed amount (either conversion price or number of shares) of the instrument regardless of the probability or whether or not within the issuers' control, means the instrument is not indexed to the issuers own stock. Accordingly, the Company determined that the conversion price of the May 2012 Notes are not a fixed amount because they are subject to fluctuation based on the occurrence of future offerings or events. As a result, the Company determined that the conversion features are not considered indexed to the Company's own stock and characterized the fair value of the conversion feature of the notes as derivative liabilities upon issuance. The fair value of the conversion features and warrants was considered a note discount at issuance and was amortized as interest expense over the life of the Note. As of March 31, 2014 and December 31, 2013, the note discount was fully amortized.

NOTE 3 – DERIVATIVE LIABILITY

In June 2008, the FASB issued authoritative guidance on determining whether an instrument (or embedded feature) is indexed to an entity's own stock. Under the authoritative guidance, effective January 1, 2009, instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The conversion feature of the Company's Debentures (described in Note 2), and the related warrants, do not have fixed settlement provisions because their conversion and exercise prices, respectively, may be lowered if the Company issues securities at lower prices in the future. The Company was required to include the reset provisions in order to protect the holders of the Debentures from the potential dilution associated with future financings. In accordance with the FASB authoritative guidance, the conversion feature of the Debentures was separated from the host contract (i.e., the Debentures) and recognized as a derivative instrument. Both the conversion feature of the Debentures and the related warrants have been characterized as derivative liabilities to be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

The derivative liabilities were valued using a probability weighted average Black-Scholes pricing model with the following assumptions:

	March 31, 2014	December 31, 2013
Conversion feature:		
Risk-free interest rate	0.13%	0.13%
Expected volatility	286.51%	229%
Expected life (in years)	.50 years	.75 years
Expected dividend yield	0	0
Warrants:		
Risk-free interest rate	0.13%	0.13%
Expected volatility	286.51%	229%
Expected life (in years)	1.50 years	1.75 years
Expected dividend yield	0	0
Fair Value:		
Conversion feature	$ 998,807	$ 982,792
Warrants	187,951	94,000
	$ 1,186,758	$ 1,076,792

The risk-free interest rate was based on rates established by the Federal Reserve Bank. The expected volatility was based on the historical statistical volatility of the Company over the past 12 months. The expected life of the conversion feature of the Debentures was based on the term of the Debentures and the expected life of the warrants was determined by the expiration date of the warrants. The expected dividend yield was based on the fact that the Company has not paid dividends to its common stockholders in the past and does not expect to pay dividends to its common stockholders in the future.

As of March 31, 2014 and December 31, 2013, the aggregate derivative liability of the conversion feature and the warrants was $1,186,758 and $1,076,792, respectively. For the three months ended March 31, 2014, the Company recorded a change in fair value of the derivative liabilities of $109,966.

NOTE 4 – STOCK OPTIONS AND WARRANTS

Stock Options

Under our 2008 Stock Incentive plan, we have authorized 7,500,000 shares of common stock for employee incentive. As March 31, 2014, no options to purchase shares of common stock were issued and outstanding under the 2008 Plan.

Warrants

At March 31, 2014, warrant shares outstanding were as follows:

	Shares	Weighted Average Exercise Price
Balance at December 31, 2013	10,295,500	$0.44
Granted	—	—
Exercised	—	—
Expired	—	—
Balance at March 31, 2014	10,295,500	$0.44

The following table summarizes information about stock warrants outstanding and exercisable as of March 31, 2014:

	Warrants Outstanding				Warrants Exercisable	
Range of Exercise Prices	Number of Shares Underlying Warrants		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Number of Shares	Weighted Average Exercise Price
$0.40	8,745,500	(i)	$0.40	2.3	8,745,500	$0.40
$0.64	1,500,000		$0.64	2.7	1,500,000	$0.64
$1.00	50,000		$1.00	1.6	50,000	$1.00
	10,295,500				10,295,500	

As of March 31, 2014, there was no intrinsic value of the warrants outstanding and exercisable

(i) As of March 31, 2014, agreements governing 1,843,000 of the warrants exercisable at $0.40 per share include an anti-dilution provision that allows for the automatic reset of the exercise price upon any future sale of the Company’s common stock, warrants, options, convertible debt or any other equity-linked securities at an issuance, exercise or conversion price below the exercise price of these warrants.

NOTE 5 – RELATED PARTY TRANSACTIONS

Amounts due Shareholder

As of March 31, 2014 and December 31, 2013, $5,018 of advances from shareholders was advanced to the Company by its President, Mr. Balwinder Samra, and is payable to Mr. Samra. This amount due to Mr. Samra, a related party, is unsecured, non-interest bearing, and does not have defined terms of repayment.

As of March 31, 2014 and December 31, 2013 our Chief Executive Officer, Mr. Balwinder Samra, was owed an aggregate amount of $861,669 and $804,467, respectively in accrued salaries earned in prior periods under the terms of his employment agreement, which amounts are included in the balance of accrued expenses to officer on the accompanying balance sheet

Shares issued by the Chief Executive Officer

On January 9, 2013, the Company signed an Amendment Agreement (described in note 6) extending the foreclosure date on the Lego Agreement from January 9, 2013 to July 9, 2013, in return for 1,500,000 shares of the Company's common stock owned individually by the Company's Chief Executive Officer, Mr. Balwinder Samra. The Company recorded the fair value of these shares of $300,000 as a cost and as a contribution to capital.

On January 28, 2013, the Company's Chief Executive Officer transferred to two consultants an aggregate of 235,880 shares of the Company's common stock owned by him for payment of services performed for the Company. The Company recorded the fair value of these shares of $46,960 as a cost and as a contribution to capital.

Transactions with related entities

During the three months ended March 31, 2014 and 2013, the Company had no sales to related parties. As of December 31, 2013, the Company had accounts receivable of $198,067 from sales to related parties in prior years which are fully reserved. During the three months ended March 31, 2014, the Company made purchases of $99,600 from related parties. As of March 31, 2014 and December 2013, the Company had trade accounts payable to related parties of $2,779,050 and $2,700,250, respectively. The related parties are suppliers of the Company related by common ownership to the Company's Chairman.

On December 14, 2010, the Company entered into a Distribution Agreement with SOL (the "Distribution Agreement"). Under the Distribution Agreement, SOL has granted the Company the right to distribute lithium iron phosphate batteries and high voltage charging systems manufactured by Seven One Battery Company on an exclusive basis in the United States. The Company's Chairman of the Board, Winston Chung, is the chief executive officer of SOL. In January 2011, based on the terms of the Distribution Agreement, the Company received battery units valued at $2,629,800 on a consignment basis. As of March 31, 2014 and December 31, 2013, the Company held battery units valued at $250,000 and $326,000 respectively held on a consignment basis, which amounts are not included in recorded inventories. During the three months ended March 31, 2014 and 2013 the Company sold $82,000 and $207,175, respectively, in batteries under the Distribution Agreement.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

California Air Quality Management District

In January 2014, the Company signed an agreement with the California Air Quality Management District ("AQMD") to deliver three on-road Class 8 lithium battery powered electric tractors for an aggregate amount of $925,000. Under this agreement the Company is required to develop the next generation of its Model MX30 with fast charging capabilities using direct current ("DC") charger. As of the date of this report, the Company has completed design and reviewed final assemblies with the AQMD to begin manufacturing. The Company plans to start shipments under this contract during the latter part of 2014.

City of Los Angeles Agreement

During 2009, under the terms of the Company's agreement with the City of Los Angeles, the Company requested and was issued an advance payment in the amount of $1,159,601. This advance payment was recorded as a customer deposit. During June 2012, the Company billed $630,000 to the City of Los Angeles to upgrade six of the electric trucks previously delivered from lead acid batteries to lithium ion batteries. This billed amount was applied as a reduction of the advance payment leaving an unpaid balance of $529,601 on this advance as of March 31, 2014. The Company's agreement with the City of Los Angeles has been terminated. To the extent that the Company does not receive additional purchases from the City of Los Angeles for the remaining balance due, the Company may be required to return the unpaid balance to the City of Los Angeles. The Company anticipates selling additional products and services during the next nine months to reduce the unpaid balance; however the Company presently does not have the funds to pay this advance if payment is requested by the City of Los Angeles.

Lego Agreement

On July 9, 2012, the Company entered into a Purchase and Representation Agreement (the "Lego Agreement") with Lego Battery Sales, LLC ("Lego"). The terms of the Lego Agreement call for the sale by the Company to Lego of 1,000 batteries for an aggregate sales price of $350,000.

The Lego Agreement further requires that the Company serve as Lego's exclusive sales agent and representative to market and resell the batteries on behalf of Lego. The sales prices of the batteries must be at a minimum sales price of $490 per battery. In consideration for its services as sales agent and representative, the Company will earn a sales commission equal to the excess of the sales price of each battery above the minimum sale price. The Lego Agreement is secured by a pledge of 2,450,000 shares of common stock owned individually by the Company's Chief Executive Officer, Mr. Balwinder Samra. If Lego does not receive the minimum consideration of $490,000 for the sale of the 1,000 batteries by January 9, 2013, Lego may foreclose on these pledged shares. The term of the Lego Agreement is for six months and may be extended by mutual consent of the parties. On January 9, 2013 the parties signed an Amendment Agreement extending the foreclosure date from January 9, 2013 to July 9, 2013 in return for 1,500,000 shares of the Company's common stock owned individually by the Company's President, Balwinder Samra. The Company recorded the fair value of these shares of $300,000 as a cost and as contribution to capital. The Company has received a purchase order for 500 batteries from an electric vehicle manufacturer and currently is awaiting payment from the customer prior to shipment of the batteries. In addition, the Company plans to use the remainder of the batteries for production of on-road electric vehicles. The Company has informed Lego Battery Sales of its sales plan and expects to negotiate a reasonable extension of the deadline within the next sixty days. As of the date of this report, the Company has purchased 30 batteries under this Agreement from Lego Battery Sales.

Although the Company has not fully performed on its sales obligations under the Agreement, the other parties have not expressed a desire to foreclose on the stock pledged individually by Mr. Balwinder Samra, President of the Company, to secure the obligations of the Company under the Agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and the related notes to financial statements included elsewhere in this report. This report and our financial statements and notes to financial statements contain forward-looking statements, which generally include the plans and objectives of management for future operations, including plans and objectives relating to our future economic performance and our current beliefs regarding revenues we might generate and profits we might earn if we are successful in implementing our business strategies. Our actual results could differ materially from those expressed in these forward-looking statements as a result of any number of factors, including those set forth under the "Risk Factors" section and elsewhere in this report. The forward-looking statements and associated risks may include, relate to or be qualified by other important factors, including, without limitation:

- the projected growth or contraction in the industries within which we operate;
- our business strategy for expanding, maintaining or contracting our presence in these markets;
- anticipated trends in our financial condition and results of operations; and
- our ability to distinguish ourselves from our current and future competitors.

We do not undertake to update, revise or correct any forward-looking statements.

Any of the factors described above or elsewhere in this report, including in the "Risk Factors" section of this report, or referenced from time to time in our filings with the Securities Exchange Commission, or SEC, could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from prior results, which in turn could, among other things, cause the price of our common stock to fluctuate substantially.

Recent Developments

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We do not currently have sufficient liquidity to meet our anticipated working capital, debt service and other liquidity needs in the very near-term. We believe that we have sufficient working capital to continue operations only for the remainder of 2014 unless we successfully restructure our debt, experience a significant improvement in sales and obtain other sources of liquidity. See "Risk Factors."

We are in default of $3,361,500 in principal amount of our convertible notes and $ 869,540 of accrued interest on these notes. Although we are actively pursuing a number of alternatives, including seeking to restructure our debt and seeking to raise additional debt or equity financing, or both, there can be no assurance that we will be successful. See "Risk Factors"

In May 2014, we shipped two heavy duty electric drive systems to our customers in Europe. Our drive and battery systems will be incorporated into electric yard tractors by our original equipment manufacturer, or OEM, partners in Europe and shipped to large retail warehousing customers. We believe these orders are a result of our successful completion of a two year demonstration of an electric yard tractor at a large distribution facility in Belgium.

In March 2014, we completed development of a 14 passenger battery powered airport shuttle bus built on Ford E450 chassis. This is our first demonstration of a medium duty electric vehicle showcasing our inverter, charger and battery system technologies. During the remainder of 2014, we anticipate increased sales in the medium duty truck and bus market in both domestic and international markets.

In March 2014, we delivered our first electric yard tractor to a large marine port in Turkey. Our model year 2014 electric yard tractor incorporates the latest inverter and fast charging technologies developed during the past year. We believe our strategic relationship with an OEM in Turkey combined with the demonstration of the electric yard tractor, will yield additional sales in the region during 2014.

In March 2014, we delivered 29 48-volt energy storage systems for mobile telecommunication application. These systems will be used in conjunction with compressed natural gas generators to power telecom towers. We currently have over 50 energy storage systems undergoing evaluation by various large telecom facilities in Arizona, Alaska and Australia.

In February 2014, we installed a 400 kWhr lithium battery storage system at a steel plant in the United States for energy saving applications. This installation includes 80 Kw solar panel array that charges the batteries during the day which provides stored energy to the manufacturing plant during peak hours of operation. This project is the largest installation of our high capacity lithium battery system in a commercial application. We believe significant growth in use of solar energy in commercial applications to reduce energy costs combined with our deployment of large energy storage system will result in increased growth in sales of our energy storage product line.

In January 2014, we signed an agreement with the AQMD to deliver three on-road Class 8 lithium battery powered electric tractors for total amount of $925,000. Under this agreement, we are required to develop the next generation of our Model MX30 with fast charging capability using a direct current, or DC, (Direct Current) charger. We anticipate that the DC charger will reduce charge times of our heavy duty vehicles from eight hours to two hours.

In October 2013, we received a purchase order to develop a heavy duty plug-in hybrid refuse truck for an OEM in the United States. During the first three months of 2014, a significant portion of our engineering effort was focused on completing the design and development of a hybrid heavy duty vehicle that incorporates our proprietary inverter, charging and battery system technologies with a hybrid generator that increases the range of our heavy duty vehicles. We believe, in the short term, that the incorporation of hybrid technologies to increase the range of our heavy duty vehicles will result in an increase in sales of our products.

Business Overview

We design, develop, manufacture and sell heavy duty electric vehicles, drive systems and lithium battery energy storage systems. We are the first company to introduce battery powered Class 8 off-road and on-highway vehicles in year 2007. Since then, we have introduced several medium and heavy duty high performance drive systems to global OEM's in India, China and Europe. Since 2011, we have also successfully diversified our business model by developing lithium battery storage technologies for renewable energy applications with products ranging in size from 10 kilo watt hour (kWhr) to 1 mega watt hr (mWhr) storage products.

The introduction of heavy duty and medium duty electric vehicles requires development of components and products that meets customers range and performance expectations, while maintaining cost competitiveness with existing fossil fuel powered vehicles. Our strategic relationship with lithium battery manufacturer and OEM's of trucks and buses in China, India and Europe reduces our product costs when compared with other global electric vehicle manufacturers. We believe cost competitiveness with existing technologies in vehicle and energy storage applications is a key differentiator in the markets we serve.

Our introduction of the world's first Class 8 battery powered electric tractor, Model XE20, with a capacity to tow 30 tons of a loaded container, resulted in the development of proprietary flux vector inverter, battery management and charging technologies, which we use today as core technologies to market drive systems to OEM's worldwide. In addition, adapting these core technologies to energy storage products has provided us with the ability to address a growing demand for renewable energy storage devices in domestic and international markets.

In addition to developing, manufacturing and selling our own line of heavy duty electric trucks and tractors, we have also provided services for the development and integration of our core electric vehicle technologies into products of other global manufacturers of buses, trucks and tractors. Since 2011, we have successfully integrated our core technologies into five vehicle platforms in India, China and Europe and believe that the successful launch of products by our OEM customers will result in additional sales in 2014. In 2013 we launched several configurations of energy storage products for commercial and residential markets, applications of which include backup power, peak demand reduction and demand response.

We believe the energy storage market is a significant growth opportunity for our core technologies and higher capacity lithium batteries. Our access to high capacity lithium batteries from our strategic partner provides us cost and performance advantages over other residential and commercial providers of energy storage products. In order to capitalize on this advantage, we plan to invest further into developing new product solutions for energy storage markets

Our proprietary inverter technology and lithium battery packs have enabled us to deliver heavy duty electric tractor and electric drive trains at what we believe to be a lower cost per kilowatt-hour than our competitors. Our battery systems include our proprietary Battery Management System (BMS) and fast chargers that are capable of charging our vehicles in less than two hours. Design and development of a reliable electric drive train for heavy duty vehicles has required extensive testing and innovation over the past five years. These innovations combined with over five years of field deployment experience of our technologies, have resulted in an extensive know- how and intellectual property that our OEM customers rely on for future product developments.

Our global strategy focuses on partnership with local vehicle manufacturers of fossil fuel vehicles to jointly design, develop and integrate our low cost drive train and battery systems into localized products. We believe our success in partnering with large OEM's of trucks and buses in India, China and Europe is a result of: (i) our long term field experience with our technologies (ii) our ability to provide all systems, including a drive train, battery and charger to OEM's as a integrated electric vehicle solution (iii) our ability to develop customized technologies and systems for local markets, and (iv) our ability to continuously improve, innovate and incorporate new battery and drive train technologies to increase range and performance of resulting product platforms.

Our products include the following battery powered electric trucks and tractors: (i) the Nautilus XRE20, a heavy-duty electric yard tractor; (ii) the Nautilus MX30, a heavy-duty, Class 8 electric short-haul tractor; and (iii) the Mule M100, a heavy-duty, Class 8 electric inner city delivery truck. We also market and sell lithium battery cells and storage solutions under the brand name HIQAP™. We sell our trucks and tractors through a direct sales force and dealers, while our battery related products and accessories are marketed through our online store and retailers of energy storage products.

Critical Accounting Policies

Our financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our financial statements:

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Material estimates relate to the recognition of contract revenues and estimated costs to complete contracts in process, and recoverability of reported amounts of long-lived assets. Actual results may differ from those estimates.

Revenues

We recognize revenue from the sale of completed production units and parts when there is persuasive evidence that an arrangement exists, delivery of the product has occurred and title has passed, the selling price is both fixed and determinable, and collectability is reasonably assured, all of which generally occurs upon shipment of our product or delivery of the product to the destination specified by the customer.

We determine whether delivery has occurred based on when title transfers and the risks and rewards of ownership have transferred to the buyer, which usually occurs when we place the products with the buyer's carrier. We regularly review our customers' financial positions to ensure that collectability is reasonably assured. Except for warranties, we have no post-sales obligations.

Stock-Based Compensation

We periodically issue stock instruments, including shares of our common stock, stock options, and warrants to purchase shares of our common stock to employees and non-employees in non-capital raising transactions for services and for financing costs. We account for stock option awards issued and vesting to employees in accordance with authorization guidance of the Financial Accounting Standards Board, or FASB, where the value of stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. Options to purchase shares of our common stock vest and expire according to the terms established at the grant date.

We account for stock options and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the FASB whereas the value of the stock compensation is based upon the measurement date as determined at either (a) the date at which a performance commitment is reached, or (b) at the date at which the necessary performance to earn the equity instruments is complete.

We estimate the fair value of stock options and warrants using the Black-Scholes Merton option-pricing model, which was developed for use in estimating the fair value of options that have no vesting restrictions and are fully transferable. This model requires the input of subjective assumptions, including the expected price volatility of the underlying stock and the expected life of stock options. Projected data related to the expected volatility of stock options is based on the average volatility of the trading prices of comparable companies and the expected life of stock options is based upon the average term and vesting schedules of the options. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore the existing valuation models do not provide a precise measure of the fair value of our employee stock options.

We estimate the fair value of shares of common stock issued for services based on the closing price of our common stock on the date shares are granted.

Derivative Financial Instruments

We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, we used the Monte Carlo option pricing models to value the derivative instruments at inception and on subsequent valuation dates through June 30, 2012. We used the probability weighted average Black-Scholes-Merton models to value the derivative instruments for valuation dates after June 30, 2012. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Financial Condition and Results of Operations

Our total revenues decreased by $23,369, or 5%, to $424,018 for the three months ended March 31, 2014 as compared to $447,387 for the three months ended March 31, 2013. The decrease in revenues was due to lower sales of lithium batteries to OEM's of buses and trucks compared to the same quarter in 2013. Gross profit during the three months ended March 31, 2014 was $87,039, up $66,849, or 331%, from the same period in 2013. This increase is primarily due to a change in the product mix from lithium battery sales to sales of electric tractor and drive systems. We reported net loss of $375,297 for the three months ended March 31, 2014 as compared to a net loss of $1,358,224 for the three months ended March 31, 2013. Losses from operations as a percentage of sales during the three months ended March 31, 2014 was 37%, as compared to losses from operations as a percentage of sales of 177% during the three months ended March 31, 2013. The decrease in losses during the three months ended March 31, 2014, is primarily attributable to increase in gross margins and decreases in general and administrative expenses and research and development costs. The increase in gross margin is a result of change in product mix from battery sales to vehicle and drive system sales. The reduction in general and administrative expenses is largely due to a $300,000 expense related to fair value of shares transferred by our President to Lego Battery in exchange for extension agreement and $176,000 one time charge for severance compensation to Robert Gruenwald related to the termination of his employment agreement during the three months ended March 31, 2013. A $109,966 loss on the change in the fair value of the derivative liability was realized during the three months ended March 31, 2014 while a $170,953 loss on the change in the fair value of the derivative liability was realized during the three months ended March 31, 2013.

Our product mix during the first three months of 2014 varied from our product mix during the first three months of 2013. Sales of our lithium batteries accounted for 33% of our total sales during the first three months of 2014 as compared to 89% during the first three months of 2013.

As of March 31, 2014, we had a working capital deficiency of $11,559,821, an accumulated deficit of $31,547,480 and reported a net loss for the three months ended March 31, 2014 of $375,297. Our plans for correcting the deficiencies include the future sales of our products and the raising of capital, which we expect will help provide us with the liquidity necessary to meet operating expenses. Over the longer-term, we plan to achieve profitability through the sale of our battery systems, drive systems, electric vehicles and other products.

As of May 20, 2014, we had a backlog of $2,700,243. The amount of backlog orders represents revenue that we anticipate recognizing in the future, as evidenced by purchase orders and other purchase commitments received from customers, but on which work has not yet been initiated or with respect to which work is currently in progress. As of the date of this report, 54% of our backlog consists of vehicles, 33% consists of batteries, 6% consists of a drive system, 4% consists of vehicles system, 2% consists of controllers and the remainder consists of chargers and accessories. As of the date of this report, 85% of our backlog consists of U.S. customers, while 15% consists of international customers. Our backlog reflects a $925,000 AQMD agreement awarded to us in January 2014.

We anticipate that our future sales will be more diversified than in previous years. We believe future sales will reflect our focus on energy storage systems and battery sales to OEMs. We believe our strategic relationships with OEMs in Europe and Asia will result in additional sales for our electric drive systems.

- The first two data columns in each table show the absolute results for each period presented.
- The columns entitled "Dollar Variance" and "Percentage Variance" shows the change in results, both in dollars and percentages. These two columns show favorable changes as a positive and unfavorable changes as negative. For example, when our net revenues increase from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative in both columns.
- The last two columns in each table show the results for each period as a percentage of net revenues.

First Quarter of 2014 Compared to the First Quarter of 2013

	Three Months Ended March 31,		Dollar Variance	Percentage Variance	Results as a Percentage of Net Revenues for the Three Months Ended March 31,	
	2014 (Unaudited)	2013 (Unaudited)	Favorable (Unfavorable)	Favorable (Unfavorable)	2014	2013
Net revenues	$ 424,018	$ 447,387	$ (23,369)	(5)%	100%	100%
Cost of revenues	336,979	427,197	90,218	21%	79%	95%
Gross profit	87,039	20,190	66,849	331%	21%	5%
General and administrative expenses	233,943	780,931	546,988	70%	55%	175%
Research and development	7,881	26,678	18,797	70%	2%	6%
Depreciation and amortization	2,532	3,693	1,161	31%	1%	1%
Change in derivative liability	(109,966)	(170,953)	60,987	36%	(26)%	(38)%
Interest expense	(108,014)	(396,159)	288,145	73%	25%	89%
Net loss	$ (375,297)	$ (1,358,224)	$ 982,928	72%	(89)%	(304)%

Net Revenues. The 5% decrease in our revenues during the three months ended March 31, 2014 is due to a decrease in sales of lithium batteries during 2014 as compared to lithium battery sales during the first quarter of 2013. During the first quarter of 2014, 39% of our revenues were generated from the shipment of vehicles.

Gross Profit. During the first quarter of 2014, we generated a gross profit, as a percentage of net revenues, of 21% as compared to 5% for the first quarter of 2013. The increase in gross profit margins in 2014 as compared to 2013 is attributable to change in sales product mix with higher percentage of sales related to sales of electric tractor and drive system to large OEM's.

General and Administrative Expenses. General and administrative expenses decreased by $546,988 or 70%, in 2014 as compared to 2013. This decrease is attributable to a $9,035 decrease in legal expenses, a $2,528 decrease in unapplied overhead, a decrease of $10,127 in consulting fees and a $525,298 net decrease in other general and administrative expenses. The decrease is largely due to a $300,000 expense related to fair value of shares transferred by our President to Lego Battery in exchange for extension agreement and a $176,000 one time charge for severance compensation to Robert Gruenwald related to the termination of his employment agreement during the three months ended March 31, 2013. There were no such expenses during the three months ended March 31, 2014.

Research and Development Expenses. The decrease in research and development expenses of $18,797 is primarily due to a decrease in salaries and wages associated with a reduced headcount in our research and development group. We expect our research and development expenses to increase during the remainder of the year as we develop new technologies and improved drive systems for our OEM partners worldwide.

Depreciation and Amortization. The decrease in depreciation and amortization expenses of $1,161 is largely due to assets that became fully-depreciated during the year ended December 31, 2013, as such depreciation expense was less recorded during the three months ended March 31, 2014 as compared to the three months ended March 31, 2013.

Change in Fair Value of Derivative Liability. During the quarter ended March 31, 2014, the aggregate fair value of our derivatives increased to $1,186,758. This amount was determined by management using a probability weighted average Black-Scholes Merton Option pricing model. During the quarter ended March 31, 2014, the change in the fair value of derivatives on our financial statements was reported as an increase of $109,966. During the quarter ended March 31, 2013, the change in the fair value of derivatives on our financial statements was reported as an increase of $170,953. The change in the fair value of the derivative liability from the quarter ended March 31, 2014 as compared to the quarter ended March 31, 2013, was $60,987.

Interest Expense. The decrease in interest expense of $288,145 is largely attributable to reduced amortization of the note discount of the convertible notes.

Liquidity and Capital Resources

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We do not currently have sufficient liquidity to meet our anticipated working capital, debt service and other liquidity needs in the very near-term. We believe that we have sufficient working capital to continue operations only through the remainder of 2014, unless we successfully restructure our debt, experience a significant improvement in sales and obtain other sources of liquidity. We are in default on $3,361,500 in principal amount of our convertible notes and in default on $869,540 of accrued interest on these notes. We are also delinquent on $371,745 of payroll taxes. Although we are actively pursuing a number of alternatives, including seeking to restructure our debt and seeking to raise additional debt or equity financing, or both, there can be no assurance that we will be successful. See “Risk Factors

During the three months ended March 31, 2014, we funded our operations from cash provided from operations, and use of proceeds from sale of batteries consigned to us by SOL, a related party. As of March 31, 2014, we had a working capital deficiency of $11,559,821 as compared to working capital deficiency of $11,187,056 at December 31, 2013. At March 31, 2014 and December 31, 2013 we had an accumulated deficit of $31,547,480 and $31,172,183, respectively, and cash and cash equivalents of $12,481 and $21,573, respectively.

During 2009, under the terms of the City of Los Angeles Agreement, we requested and were issued an advance payment in the amount of $1,159,601 from the City of Los Angeles. During June 2012, we billed $630,000 to the City of Los Angeles to upgrade six of the electric trucks previously delivered to from lead acid batteries to lithium ion batteries. This billed amount was applied as a reduction of the advance payment leaving an unpaid balance of $529,601 on this advance. Our agreement with City of Los Angeles has been terminated. To the extent that we do not receive additional purchases from City of Los Angeles for the remaining balance due, we may be required to return the unpaid balance to City of Los Angeles. We anticipate selling additional products and services during the next 12 months to reduce the unpaid balance.

Our available capital resources at March 31, 2014 consisted primarily of approximately $12,481 in cash and cash equivalents. We expect that our future available capital resources will consist primarily of cash on hand, sale of consigned batteries, cash generated from our business, if any, and future debt and/or equity financings, if any.

Cash used in operating activities for the first three months of 2014 was $9,092 as compared to cash used in operating activities during the same period in 2013 of $6,764. During the first three months of 2014, cash flows from operating activities included a net loss of $375,297 and depreciation and amortization of $2,532. Material changes in asset and liabilities at March 31, 2014 as compared to December 31, 2013 that affected these results include:

- a increase in accounts receivable of $36,760;
- a decrease in inventory of $76,270;
- a net increase in accounts payable and accrued expenses of $295,530, of which $78,800 was an increase in related party accounts payable and $57,202 was an increase in accrued salary to our Chief Executive Officer, Mr. Samra; and
- a decrease of $124,412 in customer deposits.

Cash used by investing and financing activities totaled none for the first three months of 2014 and 2013.

We believe that we presently have sufficient plant and production equipment to meet our current operational plan and we do not intend to dispose of any plant and equipment. We presently have 8 employees on a full-time basis and expect to hire additional personnel in the event of an increase in market demand for our products. We plan on adding staff to meet our current operational plan for the remainder of 2014.

Although we expect sale of consigned batteries and completion and delivery of the products in our backlog will provide us with additional liquidity and capital resources, we believe that we will need additional liquidity and capital resources through debt and/or equity financing to complete our entire existing and anticipated future product backlog.

These factors, among others, raise substantial doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm, in its report on our 2013 financial statements, has raised substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. We have been, and currently are, working towards identifying and obtaining new sources of financing. No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that we are able to obtain will likely include financial and other covenants that will restrict the our flexibility. At a minimum, we expect these covenants to include restrictions on our ability to pay dividends on our common stock. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. In addition, our senior secured convertible debentures issued between July and December 2010 contains covenants that include restrictions on our ability to pay dividends on our common stock.

If adequate funds are not available, we may be required to delay, scale back or eliminate portions of our operations and product and service development efforts or to obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain of our technologies or potential products or other assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of our proprietary technology and other important assets and could also adversely affect our ability to fund our continued operations and our product and service development efforts.

Backlog

As of May 20, 2014, we had a backlog of $2,700,243. The amount of backlog orders represents revenue that we anticipate recognizing in the future, as evidenced by purchase orders and other purchase commitments received from customers, but on which work has not yet been initiated or with respect to which work is currently in progress. As of the date of this report, 54% of our backlog consists of vehicles, 33% consists of batteries, 6% consists of a drive system, 4% consists of vehicles, 2% consists of controllers and the remainder consists of chargers and accessories. As of the date of this report, 85% of our backlog consists of U.S. customers, while 15% consists of international customers. We believe that the majority of our current backlog will be shipped within the next 12 months. However, there can be no assurance that we will be successful in fulfilling such orders and commitments in a timely manner or that we will ultimately recognize as revenue the amounts reflected as backlog.

Effects of Inflation

The impact of inflation and changing prices has not been significant on the financial condition or results of operations of our company.

Impacts of New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on our operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. We are currently evaluating the impact of adopting ASU 2014-08 on our results of operations or financial condition.

Other accounting pronouncements did not or are not believed by management to have a material impact on our present or future consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, our principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of March 31, 2014 that our disclosure controls and procedures were effective at the reasonable assurance level.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

On December 9, 2013 we reached a Settlement Agreement with Miranda and Associates under which we agreed to pay Miranda and Associates $235,000 in past due payments in monthly payments with total amount due payable by April 2016. The amount agreed upon also includes a 10% interest payment during the period in which balance is owed to Miranda and Associates.

ITEM 1A. Risk Factors

Item 1A. Risk Factors.

The following summarizes material risks that investors should carefully consider, together with all other information contained in this report, including our consolidated financial statements and the related notes, before deciding to buy or maintain an investment in our common stock. If any of these risks materialize, our business, financial condition or results of operations could be materially harmed. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment. The risks and uncertainties we describe are not the only ones facing us. Additional risks not presently known to us, or that we currently deem immaterial, may also impair our business operations. If any of these risks were to occur, our business*, financial condition, or results of operations would likely suffer. In that event, the trading price of our common stock could decline, and you could lose all or part of your investment.*

Risks Relating to Our Business

There is substantial doubt as to our ability to continue as a going concern. We need additional financing or capital which may be unavailable or costly.

We do not currently have sufficient liquidity to meet our anticipated working capital, debt service and other liquidity needs in the very near-term. We believe that we have sufficient working capital to continue operations during 2014 unless we successfully restructure our debt, experience a significant improvement in sales and obtain other sources of liquidity. In addition, although various secured creditors holding approximately $2,006,750 in secured convertible notes and secured debentures have not exercised their rights to foreclose on all of our assets (including our intellectual property assets), no assurance can be given that these holders of secured debt will not exercise their remedies under our outstanding secured notes and secured debentures. If we cannot restructure our debt and obtain sufficient liquidity in the very near term, we may need to seek to protection under the U.S. Bankruptcy Code. As a result, our 2013 financial statements include an explanatory paragraph by our independent registered public accounting firm describing the substantial doubt as to our ability to continue as a going concern.

As of May 20, 2014, we were in default on $3,361,500 in principal amount of our convertible notes, in default on $869,540 of accrued interest relating to those notes and we have not paid $371,745 in payroll taxes.

If we seek protection under the U.S. Bankruptcy Code, all of our outstanding shares of capital stock could be cancelled and holders of our capital stock may not be entitled to any payment in respect of their shares.

If we seek protection under the U.S. Bankruptcy Code it is possible that all of our outstanding shares of capital stock could be cancelled and holders of capital stock may not be entitled to any payment in respect of their shares. It is also possible that our obligations to our creditors may be satisfied by the issuance of shares of capital stock in satisfaction of their claims. The value of any capital stock so issued may be less than the face value of our obligations to those creditors, and the price of any such capital stock may be volatile. In addition, in the event of a bankruptcy filing, our common stock will be suspended from trading. Accordingly, trading in our common stock may be limited, and our stockholders may not be able to resell their securities for their purchase price or at all.

We are seeking additional financing and may be unable to obtain this financing on a timely basis, in sufficient amounts, on terms acceptable to us or at all. Any financing we are able to obtain may be available only on burdensome terms that may cause significant dilution to our stockholders and impose onerous financial restrictions on our business .

We are seeking substantial additional financing. Future financing may not be available on a timely basis, in sufficient amounts, on terms acceptable to us or at all. Any equity financing may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to our common stock will likely include financial and other covenants that will restrict our flexibility. At a minimum, we would expect these covenants to include restrictions on our ability to pay dividends on our common stock. Any failure to comply with these covenants could have a material adverse effect on our business, prospects, financial condition and results of operations because we could lose any then-existing sources of financing and our ability to secure new financing may be impaired. In addition, any prospective debt or equity financing transaction will be subject to the negotiation of definitive documents and any closing under those documents will be subject to the satisfaction of numerous conditions, many of which could be beyond our control. We may be unable to obtain additional financing from one or more lenders or equity investors, or if funding is available, it may be available only on burdensome terms that may cause significant dilution to our stockholders and impose onerous financial restrictions on our business.

We have a history of only nominal revenues, have incurred significant losses, expect continued losses and may take long time to achieve profitability. If we continue to incur losses, we may have to curtail our operations, which may prevent us from successfully deploying our electric drive systems, battery systems, renewable energy storage devices and electric vehicles as well as operating and expanding our business.

We have a history of only nominal revenues, have not been profitable and expect continued losses. Historically, we have relied upon cash from financing activities to fund substantially all of the cash requirements of our activities and have incurred significant losses and experienced negative cash flow. As of March 31, 2014, we had an accumulated deficit of $31,547,480. We may continue to incur losses for an indeterminate period of time and may never achieve or sustain profitability. Even if we are able to achieve profitability, we may be unable to sustain or increase our profitability on a quarterly or annual basis. An extended period of losses and negative cash flow may prevent us from successfully producing and selling our electric drive systems, lithium battery modules, flux vector motor controllers, and electric vehicles, renewable energy systems and operating or expanding our business. As a result of our financial condition, our independent auditors have issued a report describing the substantial doubt as to our ability to continue as a going concern.

Our independent auditors have issued a report describing the substantial doubt as to our ability to continue as a going concern. This report may impair our ability to raise additional financing and adversely affect the price of our common stock.

The report of our independent auditors contained in our financial statements for the year ended December 31, 2013 includes a paragraph that explains that we have incurred substantial losses. This report raises substantial doubt about our ability to continue as a going concern. Reports of independent auditors describing the substantial doubt as to the company's ability to continue as a going concern are generally viewed unfavorably by analysts and investors. This report may make it difficult for us to raise additional debt or equity financing necessary to continue the development and deployment of our heavy-duty electric vehicles, flux vector motor controllers, battery systems, renewable energy systems and electric drive systems. We urge potential investors to review this report before making a decision to invest in Balqon Corporation.

We depend on the services of Balwinder Samra, and the loss of him could adversely affect our ability to achieve our business objectives.

Our success depends in part upon the continued service of Balwinder Samra, who is our President and Chief Executive Officer. Mr. Samra is critical to the overall management of Balqon Corporation as well as to the development of our technologies, our culture and our strategic direction and is instrumental in developing and maintaining close ties with our customer base. Although we have entered into an employment agreement with Mr. Samra, the agreement does not guarantee the service of Mr. Samra for a specified period of time. The loss of Mr. Samra could significantly delay or prevent the achievement of our business objectives. Consequently, the loss of Mr. Samra could adversely affect our business, financial condition and results of operations.

We are targeting a new and evolving market for heavy-duty electric vehicles and we cannot be certain that our business strategy will be successful

The market for heavy-duty electric vehicles is relatively new and rapidly changing. We cannot accurately predict the size of this market or its potential growth. Our products represent only one of the possible solutions for alternative fuel vehicles for container transportation and other material handling equipment applications. Use of electric vehicles for container transportation at terminals and/or other facilities has not been adopted as an industry standard and it may not be adopted on a broad scale. The new and evolving nature of the market that we intend to target makes an accurate evaluation of our business prospects and the formulation of a viable business strategy very difficult. Thus, our business strategy may be faulty or even obsolete and as a result, we may not properly plan for or address many obstacles to success, including the following:

- the timing and necessity of substantial expenditures for the development, production and sale of our products;
- the emergence of newer, more competitive technologies and products;
- the future cost of batteries used in our systems;
- applicable regulatory requirements;
- the reluctance of potential customers to consider new technologies;
- the failure to strategically position ourselves in relation to joint venture or strategic partners, and potential and actual competitors;
- the failure of our products to satisfy the needs of the markets that we intend to target and the resulting lack of widespread or adequate acceptance of our products; and
- the difficulties in managing rapid growth of operations and personnel.

The industries within which we compete are highly competitive. Many of our competitors have greater financial and other resources and greater name recognition than we do and one or more of these competitors could use their greater financial and other resources or greater name recognition to gain market share at our expense.

The heavy-duty electric vehicle industry within which we compete is highly competitive. New developments in vehicle technology may negatively affect the development or sale of some or all of our products or make our products uncompetitive or obsolete. Competition for our products may come from current fossil fuel based drive system technologies, improvements to current drive system technologies and new alternative fuel drive system technologies. Our target market is currently serviced by existing manufacturers with existing customers and suppliers using proven and widely accepted fossil fuel powered drive systems. Additionally, we have competitors working on developing technologies such as cleaner diesel engines, bio-diesel, fuel cells, natural gas, hybrid electric/internal combustion engines, and hydrogen powered fuel cell technologies. Our products compete directly with fossil fuel powered vehicles which are lower in price and higher in key performance specifications such as range, speed and load carrying capacity. In addition, our competitors have a long history of producing high volume products with established dealer and service networks. Many of our competitors have substantially greater financial resources, more extensive engineering, manufacturing, marketing and customer service and support capabilities, larger installed bases of current generation products, as well as greater name recognition than we do. Competitors for our Nautilus product line include manufacturers of fossil fuel powered vehicles, including Kalmar Industries Corp, Capacity of Texas, Inc., MAFI Transport Systems GmbH, Mol Transport Solutions and Terberg DTS (UK) Ltd. Competitors for our Mule product line include large automotive vehicle manufacturers such as Kenworth Truck Company, Freightliner Trucks, Mack Trucks, Inc., International Trucks and Peterbilt Motors Company. We also face competition from manufacturers of electric or zero-emissions vehicles, including Smith Electric Vehicles, Vision Industries Corp., Freightliner Custom Chassis and Navistar. As a result, our competitors may be able to compete more aggressively and sustain that competition over a larger period of time than we could. Each of these competitors has the potential to capture market share in various markets, which could have a material adverse effect on our position in the industry and our financial results.

We also face competition from small to medium size manufacturers of alternative fuel drive systems such as Cummins Inc., Westport Innovations Inc., US Hybrid Corporation and Vision Industries Corp. These competitors' products target new and retrofit markets with drive systems powered by natural gas, electric hybrid and fuel cell powered vehicles. These small to medium size manufacturers offer products competitive in price to our current product line and these products are expected to exceed the performance of our products in key performance specifications such as range and speed. There can be no assurance that our zero emissions products will be able to offer competitive advantages over alternative fuel powered vehicles being developed by our competitors. Our lack of resources relative to many of our significant competitors may cause us to fail to anticipate or respond adequately to new developments and other competitive pressures. This failure could reduce our competitiveness and cause a decline in our market share, sales and profitability.

The battery storage industry within which we compete is dominated by large lead acid battery manufacturers with significant financial resources, market knowledge and distribution systems. Our products compete directly with lead acid batteries which are lower in price than our current product offerings. In addition, we face competition from lithium battery manufacturers that offer similar products and have substantially greater financial resources and sales organizations in the global market. Competitors for our lithium battery storage products include lead acid battery manufacturers, such as Enersys, Exide Industries, Yuasa Batteries, Johnson Controls and Crown Battery. We also face competition from lithium battery manufacturers such as Caleb Battery, A123, Altairnano, Axeon and LG Chem. Our inability to maintain a low cost advantage over our lithium battery competitors may cause us to lose market share to our competitors.

Products within the industries in which we operate are subject to rapid technological changes. If we fail to accurately anticipate and adapt to these changes, the products we sell will become obsolete, causing a decline in our sales and profitability.

The industries within which we compete are subject to rapid technological change and frequent new product introductions and enhancements which often cause product obsolescence. We believe that our future success depends on our ability to continue to enhance our existing products and technologies, and to develop and manufacture in a timely manner new products with improved technologies. We may incur substantial unanticipated costs to ensure product functionality and reliability early in its products' life cycles. If we are not successful in the introduction and manufacture of new products or in the development and introduction, in a timely manner, of new products or enhancements to our existing products and technologies that satisfy customer needs and achieve market acceptance, our sales and profitability will decline.

We obtain some of the components and subassemblies included in our products from a limited group of suppliers, the partial or complete loss of which could have an adverse effect on our sales and profitability.

We obtain some of the components and subassemblies for our products from a limited group of suppliers. Although we seek to qualify additional suppliers, the partial or complete loss of these sources could adversely affect our sales and profitability and damage customer relationships by impeding our ability to fulfill our current customers' orders. Further, a significant increase in the price of one or more of these components or subassemblies could adversely affect our profit margins and profitability if no lower-priced alternative source is approved.

We manufacture and assemble all of our products at one facility. Any prolonged disruption in the operations of this facility would result in a decline in our sales and profitability.

We assemble our electric vehicles and electric drive systems and we manufacture and assemble our flux vector motor controllers in a facility located in Harbor City, California. Any prolonged disruption in the operations of our manufacturing and assembly facility, whether due to technical or labor difficulties, destruction of or damage to this facility as a result of an earthquake, fire or any other reason, would result in a decline in our sales and profitability.

Because we believe that proprietary rights are material to our success, misappropriation of those rights or claims of infringement or legal actions related to intellectual property could adversely impact our financial condition.

We currently rely on a combination of contractual rights, copyrights, trade names and trade secrets to protect our proprietary rights. Although our flux vector motor controllers, electric drive systems, and their constituent components could benefit from patent protection, we have chosen to retain the proprietary rights associated with our flux vector motor controllers, electric drive systems, and BMSs predominantly as trade secrets. Although we currently rely to a great extent on trade secret protection for much of our technology, we cannot assure you that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop comparable or superior technologies or obtain unauthorized access to our proprietary technology.

We own, license or have otherwise obtained the right to use certain technologies incorporated in our flux vector motor controllers. We may receive infringement claims from third parties relating to our products and technologies. In those cases, we intend to investigate the validity of the claims and, if we believe the claims have merit, to respond through licensing or other appropriate actions. To the extent claims relate to technology included in components purchased from third-party vendors for incorporation into our products, we would forward those claims to the appropriate vendor. If we or our component manufacturers are unable to license or otherwise provide any necessary technology on a cost-effective basis, we could be prohibited from marketing products containing that technology, incur substantial costs in redesigning products incorporating that technology, or incur substantial costs defending any legal action taken against us.

Fluctuation in the price, availability and quality of materials could increase our cost of goods and decrease our profitability.

We purchase materials directly from various suppliers. The prices we charge for our products are dependent in part on the cost of materials used to produce them. The price, availability and quality of our materials may fluctuate substantially, depending on a variety of factors, including demand, supply conditions, transportation costs, government regulation, economic climates and other unpredictable factors. Any material price increases could increase our cost of goods and decrease our profitability unless we are able to pass higher prices on to our customers. We do not have any long-term written agreements with any of these suppliers; except for SOL, and do not anticipate entering into any such agreements in the near future.

Our limited production, commercial launch activities and continued field tests could encounter problems.

We are currently conducting, and plan to continue to conduct, limited production and field tests on a number of our products as part of our product development cycle and we are working on scaling up our production capabilities. These production readiness activities and additional field tests may encounter problems and delays for a number of reasons, including the failure of our technology, the failure of the technology of others, the failure to combine these technologies properly and the failure to maintain and service the test prototypes properly. Some of these potential problems and delays are beyond our control. Any problem or perceived problem with our limited production and field tests could damage our reputation and the reputation of our products and delay their commercial launch.

Demand for our electric vehicles may fluctuate as the price of diesel fuel changes.

If diesel fuel prices decrease to a level such that using our electric vehicles does not result in fuel cost savings, potential customers may not purchase our electric vehicles. Any decrease in demand for our electric vehicles could have a material adverse effect on our business, prospects, financial condition and results of operations. If in the future we need to reduce the price of our electric vehicles to keep them competitive with the life cycle cost of diesel fuel powered vehicles, our business might suffer and our revenue and profits might decline.

Significant changes in government regulation may hinder our sales.

The production, distribution and sale in the United States of our products are subject to various federal, state, and local statutes and regulations. New statutes and regulations may also be instituted in the future. If a regulatory authority finds that a current or future product is not in compliance with any of these regulations, we may be fined, or our product may have to be recalled, thus adversely affecting our financial condition and operations.

If we do not properly manage foreign sales and operations, our business could suffer.

We expect that a significant portion of our future revenues will be derived from sales outside of the United States, and we may operate in jurisdictions where we may lack sufficient expertise, local knowledge or contacts. Establishment of an international market for our products may take longer and cost more to develop than we anticipate, and is subject to inherent risks, including unexpected changes in government policies, trade barriers, significant regulation, difficulty in staffing and managing foreign operations, longer payment cycles, and foreign exchange controls that restrict or prohibit repatriation of funds. As a result, if we do not properly manage foreign sales and operations, our business could suffer.

Our inability to diversify our operations may subject us to economic fluctuations within the electric vehicle industry.

Our limited financial resources reduce the likelihood that we will be able to diversify our operations. Our probable inability to diversify our activities into more than one business area will subject us to economic fluctuations within the electric vehicle industry and therefore increase the risks associated with our operations.

Our failure to manage our growth effectively could prevent us from achieving our goals.

Our strategy envisions a period of growth that may impose a significant burden on our administrative, financial and operational resources. The growth of our business will require significant investments of capital and management's close attention. Our ability to effectively manage our growth will require us to substantially expand the capabilities of our administrative and operational resources and to attract, train, manage and retain qualified management, engineers and other personnel. We may be unable to do so. In addition, our failure to successfully manage our growth could result in our sales not increasing commensurately with our capital investments. If we are unable to successfully manage our growth, we may be unable to achieve our goals.

Risks Relating to Ownership of Our Common Stock

We cannot predict the extent to which an active public trading market for our common stock will develop or be sustained. If a public trading market does not develop or cannot be sustained, you may be unable to liquidate your investment in Balqon Corporation.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained due to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors, and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares of common stock until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a public trading market for our common stock will be sustained. If such a market cannot be sustained, you may be unable to liquidate your investment in Balqon Corporation.

In addition, the market price for our common stock may be particularly volatile given our status as a relatively small company with a small and thinly-traded "public float" that could lead to wide fluctuations in our share price. You may be unable to sell your common stock at or above your purchase price if at all, which may result in substantial losses to you.

Our common stock may be subject to significant price volatility which may have an adverse effect on your ability to liquidate your investment in our common stock.

The market for our common stock may be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. The potential volatility in our share price is attributable to a number of factors. First, our common shares may be sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price. Secondly, an investment in us is a speculative or "risky" investment due to our lack of meaningful revenues or any profits to date and uncertainty of future market acceptance for current and potential products. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer.

Voting power of a significant percentage of our common stock is held by our president and chief executive officer, who, as a result, is able to control or exercise significant influence over the outcome of matters to be voted on by our stockholders.

Balwinder Samra, our President and Chief Executive Officer, has voting power equal to approximately 41.3% of all votes eligible to be cast at a meeting of our stockholders. As a result of his significant ownership interest, Mr. Samra will be able to exercise significant influence with respect to the election of directors, offers to acquire Balqon Corporation and other matters submitted to a vote of all of our stockholders.

Shares of our common stock eligible, or to become eligible, for public sale could adversely affect our stock price and make it difficult for us to raise additional capital through sales of equity securities.

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of common stock for sale will have on the market price prevailing from time to time. As of May 20, 2014, we had 36,891,530 shares of common stock outstanding, most of which were restricted under the Securities Act of 1933, as amended, or Securities Act. All 36,891,530 shares of outstanding common stock, were issued by us more than six months prior to that date and, therefore, can be sold without restriction subject to the limitations imposed by Rule 144 of the Securities Act (of these 36,891,530 shares of our common stock that have been held for more than six months, 10,921,660 shares of our common stock are held by non-affiliates). As of May 20, 2014, we also had outstanding options and warrants that were exercisable for approximately 10,295,500 shares of common stock and convertible notes and convertible debentures convertible into an aggregate of 6,260,988 shares of our common stock. Sales of shares of our common stock in the public market, or the perception that sales could occur, could adversely affect the market price of our common stock. Any adverse effect on the market price of our common stock could make it difficult for us to raise additional capital through sales of equity securities at a time and at a price that we deem appropriate.

The exercise of outstanding options and warrants to purchase our common stock and the conversion into common stock of our outstanding convertible notes and convertible debentures could substantially dilute your investment, impede our ability to obtain additional financing, and cause us to incur additional expenses.

Under the terms of our outstanding options and warrants to purchase our common stock issued to employees and others and the terms of our outstanding convertible notes and convertible debentures, the holders are given an opportunity to profit from a rise in the market price of our common stock that, upon the exercise of the options and/or warrants or the conversion of the convertible notes and/or convertible debentures, could result in dilution in the interests of our other stockholders. The terms on which we may obtain additional financing may be adversely affected by the existence and potentially dilutive impact of our outstanding options, warrants, convertible notes and convertible debentures. In addition, holders of certain of the warrants and holders of convertible notes and convertible debentures have registration rights with respect to the common stock underlying these warrants, convertible notes and convertible debentures. The registration of these underlying shares of common stock will cause us to incur a substantial expense.

The market price of our common stock and the value of your investment could substantially decline if our warrants, options, convertible notes or convertible debentures are exercised or converted into shares of our common stock and resold into the market, or if a perception exists that a substantial number of shares will be issued upon exercise of our warrants and options or conversion of our convertible notes or convertible debentures and then resold into the market.

If the exercise prices of our warrants and options and conversion prices of our convertible notes and convertible debentures are lower than the price at which you made your investment, immediate dilution of the value of your investment will occur. In addition, sales of a substantial number of shares of common stock issued upon exercise of our warrants and options and upon conversion of our convertible notes and convertible debentures, or even the perception that such sales could occur, could adversely affect the market price of our common stock. You could, therefore, experience a substantial decline in the value of your investment as a result of both the actual and potential exercise of our warrants or options or the conversion of our convertible notes or convertible debentures.

Because we are subject to the "Penny Stock" rules, the level of trading activity in our common stock may be reduced.

Our common stock is quoted on the OTC Pink® marketplace. The last reported sale price per share of our common stock on May 20, 2014, was $0.20. As a result, our common stock constitutes "Penny Stock." Broker-dealer practices in connection with transactions in Penny Stocks are regulated by rules adopted by the Securities and Exchange Commission, or SEC. Penny Stocks are generally equity securities with a price per share of less than $5.00 (other than securities registered on certain national exchanges). The Penny Stock rules require a broker-dealer, prior to a transaction in Penny Stocks not exempt from the rules, to deliver a standardized risk disclosure document that provides information about Penny Stocks and the nature and level of risks in the Penny Stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the Penny Stock, the compensation of the broker-dealer and the salesperson in the transaction, and monthly accounting statements showing the market value of each Penny Stock held in the customer's account. In addition, the broker-dealer must make a special written determination that the Penny Stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in a Penny Stock, such as our common stock, and investors in our common stock may find it difficult to sell their shares.

Because our common stock is not listed on a national securities exchange, you may find it difficult to dispose of or obtain quotations for our common stock.

Our common stock is quoted on the OTC Pink® marketplace under the symbol "BLQN." Because our stock is quoted on the OTC Pink® marketplace rather than on a national securities exchange, you may find it difficult to either dispose of, or to obtain quotations as to the price of, our common stock.

Our Articles of Incorporation, our bylaws and Nevada law each contain provisions that could discourage transactions resulting in a change in control of Balqon Corporation, which may negatively affect the market price of our common stock.

Our Articles of Incorporation and our bylaws contain provisions that may enable our Board of Directors to discourage, delay or prevent a change in the ownership of Balqon Corporation or in our management. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our common stock. These provisions include the following:

- our Board of Directors is authorized, without prior stockholder approval, to create and issue preferred stock, commonly referred to as "blank check" preferred stock, with rights senior to those of our common stock; and
- our Board of Directors is expressly authorized to make, alter or repeal our bylaws.

Furthermore, we may be subject to the restrictions contained in Sections 78.378 through 78.3793 of the Nevada Revised Statutes which provide, subject to certain exceptions and conditions, that if a person acquires a "controlling interest," which is equal to either one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more of the voting power of a corporation, that person is an "interested stockholder" and may not vote that person's shares. The effect of these restrictions may be to discourage, delay or prevent a change in control of Balqon Corporation.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could result in a restatement of our financial statements, cause investors to lose confidence in our financial statements and our company and have a material adverse effect on our business and stock price.

We produce our financial statements in accordance with accounting principles generally accepted in the United States, or GAAP. Effective internal controls are necessary for us to provide reliable financial reports to help mitigate the risk of fraud and to operate successfully as a publicly traded company. As a public company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404. Further, Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting.

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

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosure.

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit Number	**Description**
31.1	Certification required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(*)
31.2	Certification required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(*)
32.1	Certification of President Chief Financial Officer Pursuant to 18 U.S.C. Section 350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(*)
101.INS	XBRL Instance Document. (*)
101.SCH	XBRL Schema Document. (*)
101.CAL	XBRL Calculation Linkbase Document. (*)
101.DEF	XBRL Definition Linkbase Document. (*)
101.LAB	XBRL Label Linkbase Document. (*)
101.PRE	XBRL Presentation Linkbase Document. (*)

(*) Filed herewith.

Signatures

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 20th day of May, 2014.

BALQON CORPORATION

By: /S/ BALWINDER SAMRA
Balwinder Samra,
President, Chief Executive Officer and Interim Chief Financial Officer
(principal executive officer and principal financial officer)

EXHIBIT 31.1

CERTIFICATION

I, Balwinder Samra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Balqon Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2014

/S/ BALWINDER SAMRA
Balwinder Samra,
Chief Executive Officer (principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Balwinder Samra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Balqon;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2014

/S/ BALWINDER SAMRA
Balwinder Samra,
Interim Chief Financial Officer (principal financial and accounting officer)

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Balqon Corporation (the “Company”) for the period ended March 31, 2014 (the “Report”), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 20, 2014

By: /s/ BALWINDER SAMRA
Balwinder Samra
President and Chief Executive Officer
(principal executive officer)

Dated: May 20, 2014

By: /s/ BALWINDER SAMRA
Balwinder Samra
Interim Chief Financial Officer
(principal financial and accounting officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.