

AMERICAN POWER GROUP Corp
Form POS AM
April 12, 2013

As filed with the Securities and Exchange Commission on April 12, 2013
Registration Number 333-181773

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

AMERICAN POWER GROUP CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	3510 (Primary Standard Industrial Classification Code Number)	71-0724248 (I.R.S. Employer Identification No.)
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7 Kimball Lane, Building A
Lynnfield, Massachusetts 01940
(781) 224-2411
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)

Charles E. Coppa
Chief Financial Officer
American Power Group Corporation
7 Kimball Lane, Building A
Lynnfield, Massachusetts 01940
(781) 224-2411
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

with a copy to:

Carl F. Barnes, Esq.
Morse Barnes-Brown & Pendleton, P.C.
CityPoint
230 Third Street, 4th Floor
Waltham, MA 02451
(781) 622-5930

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

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

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

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

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

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

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

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

EXPLANATORY NOTE

This Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-181773) (the “Registration Statement”) of American Power Group Corporation (the “Company”) is being filed pursuant to the undertaking in Item 17 of the Registration Statement to update and supplement the information contained in the Registration Statement, as originally declared effective by the Securities and Exchange Commission on July 25, 2012, to include the information contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (the “Annual Report”) that was filed with the Securities and Exchange Commission (the “SEC”) on December 31, 2012, to include the information contained in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2012 that was filed with the SEC on February 13, 2013, and to update certain other information in the Registration Statement.

The information included in this Post-Effective Amendment No. 1 to the Registration Statement updates and supplements the Registration Statement and the Prospectus contained therein. No additional securities are being registered under this Post-Effective Amendment No. 1. All applicable SEC registration fees were paid at the time of the filing of the original Registration Statement.

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

SUBJECT TO COMPLETION, DATED APRIL 12, 2013
PROSPECTUS

AMERICAN POWER GROUP CORPORATION

11,553,282 SHARES OF COMMON STOCK

This prospectus relates to the possible resale, from time to time, by the selling stockholders named in this prospectus of up to: (1) 9,908,591 shares that have been, or may be, acquired upon the conversion of shares of our 10% Convertible Preferred Stock, which preferred stock was issued to 15 investors in a private placement completed on April 30, 2012; (2) 824,624 shares issued between June 30, 2012 and March 31, 2013 in lieu of the payment of cash dividends on the preferred stock in accordance with the terms of the Certificate of Designation governing the preferred stock; and (3) 820,067 additional shares issuable within six months after March 31, 2013 in lieu of the payment of cash dividends on the preferred stock.

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

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

Our Common Stock is presently quoted on the OTC Markets Group's OTCQB under the symbol "APGI." On April 10, 2013, the last reported sale price of our Common Stock on the OTCQB was \$.56 per share.

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

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

THE DATE OF THIS PROSPECTUS IS _____, 2013.

iii

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	1
ABOUT THIS PROSPECTUS	1
ABOUT AMERICAN POWER GROUP CORPORATION	1
SUMMARY OF THE OFFERING	5
SUMMARY CONDENSED CONSOLIDATED FINANCIAL INFORMATION	6
RISK FACTORS	8
FORWARD-LOOKING STATEMENTS	14
USE OF PROCEEDS	14
DETERMINATION OF OFFERING PRICE	14
DILUTION	14
SELLING SECURITY HOLDERS	15
PLAN OF DISTRIBUTION	18
DESCRIPTION OF BUSINESS	20
DESCRIPTION OF PROPERTIES	25
LEGAL PROCEEDINGS	25
MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	25
DIVIDEND POLICY	27
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	27
DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS	31
EXECUTIVE COMPENSATION	33
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	37
TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS	39
EXPERTS	41
LEGAL MATTERS	41
DESCRIPTION OF CAPITAL STOCK	42
WHERE YOU CAN FIND MORE INFORMATION	43
DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES	44
INDEX TO FINANCIAL STATEMENTS	F-1

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

PROSPECTUS SUMMARY

AMERICAN POWER GROUP CORPORATION

11,553,282 SHARES OF COMMON STOCK

ABOUT THIS PROSPECTUS

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

ABOUT AMERICAN POWER GROUP

Company Overview

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

Products and Services

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

• Diesel fuel and compressed natural gas (CNG) or liquefied natural gas (LNG);

• Diesel fuel and pipeline gas, well-head gas or approved bio-methane; or

• 100% diesel fuel.

Our proprietary technology seamlessly displaces 40% to 70% of the normal diesel fuel consumption with various forms of natural gas and the energized fuel balance between the two fuels is maintained with a patented control system ensuring the engines operate to Original Equipment Manufacturers' (OEM) specified temperatures and pressures with no loss of horsepower. Installation requires no engine modification, unlike the more expensive fuel injected alternative fuel systems in the market.

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

• Reduce fuel and operating costs by 20% to 35%;

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

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

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

Our Green Tech Products' molded recycled rubber products operations, sold in August 2011, specialized in the design, development and manufacturing of branded recycled products and services that provide schools and municipalities with environmentally responsible products to create safer work and play environments.

Recent Developments

Distributor Agreement

In November 2012, we signed a National Distributor and Master Marketing Agreement with WheelTime Network LLC, a truck service network with 18 member companies providing installation and warranty support through nearly 200 service centers, 2,800 service bays, 3,000 factory-trained technicians and 30 training facilities located across the United States and Canada. Under the agreement, WheelTime will endorse APG's technology to its 18 member companies and encourage each member to become an exclusive certified installer and authorized dealer of APG's Vehicular Turbocharged Natural Gas Systems. As of April 11, 2013 17 of the 18 of WheelTime's member companies have agreed to become installers and dealers of our equipment. We believe that this relationship provides us the opportunity to accelerate the national rollout of our vehicular dual fuel through access to a large national network of qualified diesel engine personnel as well as testing/installation equipment.

In addition, we issued WheelTime a warrant to purchase 1,540,000 shares of our Common Stock at an exercise price of \$.55 per share. The warrant is immediately exercisable with respect to 100,000 shares of Common Stock with the remaining shares becoming exercisable in increments of 50,000 shares upon the execution of a certified installer and service agreement by each of the 18 members during the first year after the original issue date of the Warrant. An additional 30,000 warrants become exercisable if a member agrees to become an exclusive dealer. The Warrant will expire on December 31, 2017.

Financing Arrangements

In April 2012, we completed the following actions.

Private Placement

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

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

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

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

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

Each investor also received a warrant to purchase a number of shares of Common Stock equal to the number of shares into which the 10% Preferred Stock purchased by such investor is convertible as of the date of issuance of the warrant. The warrants have an exercise price of \$0.50 per share and may be exercised at any time during a five-year period beginning October 30, 2012.

The warrants are subject to adjustment in the event we issue shares of Common Stock or other securities convertible into or exchangeable for Common Stock at a price per share which is less than the exercise price of the warrants and upon other customary terms.

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

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

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

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

Amendments to Certain Related Party Promissory Notes

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

Amendment to Patent License and Note

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

Extension of Iowa State Credit Facility

On April 25, 2012, Iowa State Bank agreed to extend the maturity of American Power Group's working capital line of credit to April 25, 2013 and increased the borrowing limits under the facility to \$2.25 million. On December 12, 2012,

Iowa State Bank agreed to further extend the maturity of American Power Group's working capital line of credit to December 31, 2013. The other terms and conditions of the credit facility remain unchanged.

Convertible Debenture Conversions

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

Divestiture of Molded Rubber Products Business

In March 2011, we announced our intention to divest our Green Tech Products business and to devote all of our corporate resources to American Power Group's dual fuel conversion business. In July 2011, our shareholders approved the sale of substantially all of Green Tech Products' assets, subject to substantially all of its liabilities, to Irish Knight Holdings, L.L.C., a company co-owned by two of Green Tech Products' senior managers. We completed the sale on August 1, 2011, for consideration consisting of (i) the assumption of substantially all of Green Tech Products' liabilities, which were approximately \$1.2 million, (ii) a \$50,000 stock inventory credit toward the purchase of products and services from the buyer, which credit may be applied during the first nine months after completion of the sale; and (iii) a promissory note in the principal amount of \$100,000 which is payable in increasing monthly installments over a period of 60 months.

In March 2012, Irish Knight Holdings agreed, in consideration of a \$25,000 reduction in the stock inventory credit and a \$38,000 reduction in the then outstanding balance of the promissory note, to pay us a total of \$80,000 by December 31, 2012 in full satisfaction of the inventory credit and note. The note was paid off in December 2012.

U.S. Vehicular Rollout Initiative

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

In September 2011, we were notified by the EPA that our first submission under the new regulations had been approved and as of April 11, 2013, we have successfully obtained 110 EPA approvals for various OUL vehicular families.

Corporate Information

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

SUMMARY OF THE OFFERING

Common Stock offered by selling security holders:	11,553,282 shares
Terms of the Offering:	The selling security holders will determine when and how they will sell the Common Stock offered in this prospectus.
Common Stock outstanding, excluding Common Stock offered by selling security holders:	43,088,493 shares
Common Stock outstanding after the offering:	54,641,775 shares, which assumes (i) the conversion of 396.34 outstanding shares of 10% Convertible Preferred Stock into shares of Common Stock and (ii) the payment of all dividends payable on the preferred stock within six months after March 31, 2013 in shares of Common Stock in lieu of cash.
Use of proceeds:	We are not selling any shares of the Common Stock covered by this prospectus, and, as a result, will not receive any proceeds from this offering.
OTCQB Symbol:	APGI
Risk Factors:	See "Risk Factors" beginning on page 8 and the other information in this prospectus for a discussion of the factors you should consider before you decide to invest in the units.

The total number of shares of our Common Stock outstanding excludes (i) 24,461,655 additional shares of Common Stock issuable upon conversion of additional shares of 10% Convertible Preferred Stock, which are not included in this prospectus; (ii) 27,381,656 shares of Common Stock issuable upon the exercise of warrants issued to the purchasers of the 10% Convertible Preferred Stock at an exercise price of \$.50 per share; (iii) 290,000 shares of Common Stock issuable upon the exercise of warrants issued to the placement agent in connection with the private placement of the 10% Convertible Preferred Stock at an exercise price of \$.40 per share; and (iv) 7,457,589 shares of Common Stock issuable under the exercise of stock options and warrants outstanding as of April 11, 2013 at a weighted average exercise price of \$.45 per share.

SUMMARY CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following summary of selected condensed consolidated financial information as of and for the fiscal years ended September 30, 2012 and 2011 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary of selected condensed consolidated financial information as of and for the three months ended December 31, 2012 and 2011 has been derived from our unaudited financial statements included elsewhere in this prospectus. The condensed consolidated financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto included elsewhere in this prospectus.

Condensed Consolidated Statements of Operations

	Three Months Ended		Fiscal Year Ended	
	December 31,		September 30,	
	2012	2011	2012	2011
Net sales	\$874,953	\$396,017	\$2,633,880	\$1,767,644
Cost of sales	574,404	405,295	1,935,767	1,833,042
Gross profit (loss)	300,549	(9,278)	698,113	(65,398)
Operating expenses:				
Selling, general and administrative	882,882	722,745	2,927,282	3,467,094
Impairment loss	—	—	—	149,600
Research and development	—	37,338	—	1,322,021
	882,882	760,083	2,927,282	4,938,715
Operating loss from continuing operations	(582,333)	(769,361)	(2,229,169)	(5,004,113)
Non operating income (expense)				
Interest and financing costs	(40,591)	(354,763)	(1,612,052)	(819,475)
Interest income	12,061	11,090	53,977	53,191
Loss on induced conversion incentive	—	—	(582,143)	—
Other, net	(28,923)	(30,559)	(127,778)	(188,803)
Non operating expense, net	(57,453)	(374,232)	(2,267,996)	(955,087)
Loss from continuing operations before income taxes	(639,786)	(1,143,593)	(4,497,165)	(5,959,200)
Income tax benefit	—	—	—	321,519
Loss from continuing operations	(639,786)	(1,143,593)	(4,497,165)	(5,637,681)
Discontinued operations				
Loss on disposal of discontinued operations	—	—	(63,085)	(59,526)
Loss from discontinued operations	—	—	—	(1,116,413)
	—	—	(63,085)	(1,175,939)
Net loss	\$(639,786)	\$(1,143,593)	\$(4,560,250)	\$(6,813,620)
10% Convertible Preferred stock dividends	(212,704)	—	(358,460)	—
10% Convertible Preferred stock beneficial conversion feature	—	—	(9,748,127)	—
Net loss available to common shareholders	\$(852,490)	\$(1,143,593)	\$(14,666,837)	\$(6,813,620)
Loss from continuing operations per share - basic and diluted	\$(0.01)	\$(0.03)	\$(0.11)	\$(0.16)
Loss from discontinued operations per share - basic and diluted	—	—	—	(0.03)
Net loss per Common share - 10% Preferred Stock dividend	—	—	(0.01)	—
Net loss per Common share - Preferred Stock beneficial conversion feature	—	—	(0.25)	—

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Net loss attributable to Common shareholders - basic and diluted	\$(0.02)	\$(0.03)	\$(0.37)	\$(0.19)
Weighted average Common shares outstanding - basic and diluted	45,609,928	36,595,317	39,352,340	35,621,150

6

Condensed Consolidated Balance Sheet Data	December 31, 2012
Assets	
Cash and cash equivalents	\$2,934,188
Certificates of deposit, restricted	300,000
Accounts receivable, net	613,198
Inventory	757,901
Costs in excess of billings	33,234
Seller's not, related party, current portion	266,009
Prepaid expenses	123,591
Other current assets	105,490
Property, plant and equipment, net	704,889
Seller's note, related party, non-current	531,378
Long term contracts, net	329,167
Purchased technology, net	329,167
Software development costs, net	1,726,549
Other assets	71,466
Total Assets	\$8,826,227
Liabilities and Stockholders' Equity	
Current liabilities	\$3,386,583
Notes payable, non-current	49,637
Notes payable, related parties, non-current	473,500
Obligations under lease settlement, non-current	505,540
Stockholders' equity	4,410,967
Total Liabilities and Stockholders' Equity	\$8,826,227

RISK FACTORS

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

Risks Related to our Business

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

Since the July 2009 acquisition of American Power Group's dual fuel conversion operations, we have invested over \$9.1 million to enhance our dual fuel products and support dual fuel sales and marketing initiatives intended to promote American Power Group's dual fuel conversion technology and establish broader market presence worldwide. Despite these efforts, American Power Group's business has incurred significant operating losses and experienced negative cash flow from operations.

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

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

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

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

We must substantially increase revenues from our American Power Group's business. Factors that could limit demand for our products and services include potential changes in the regulatory environment. If, for example, the EPA withdraws support for our domestic vehicular dual fuel testing initiative, further development of the domestic market for our vehicular products could be materially delayed. Other adverse events or economic or other conditions affecting markets for our products and services, potential delays in product development, product and service flaws, changes in

technology and the availability of competitive products and services could also delay or limit demand for our products and services. There can be no assurance that our efforts will be successful, that all of our products will prove to meet the anticipated levels of approval or effectiveness, or that we will be able to obtain and sustain customers as well as distribution approval.

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

We operate in competitive and evolving markets locally, nationally and globally. These markets are subject to rapid technological change and changes in demand. In seeking market acceptance, we will encounter competition from many sources, including other well-established and larger dominant original equipment providers such as CAT, Cummings, Detroit Diesel, Volvo and Mercedes. Many of these competitors have substantially greater financial resources as well as substantially greater experience

in conducting testing, manufacturing and marketing of products than we do. As a result, they may be able to adapt more quickly to new or emerging technologies, changes in customer requirements, or devote greater resources to the promotion and sale of their products and services. In addition, our competitors might succeed in developing or purchasing technologies and products that are more effective than those that we are developing or that would render our technology and products obsolete or noncompetitive. Competition could increase if new companies enter the markets in which we operate or our existing competitors expand their service lines.

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

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

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

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

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

We face risks associated with marketing, distributing, and servicing our products internationally and our business could be adversely affected if we are unable to manage or grow our business in developing and emerging markets or as a result of political and economic instability or civil unrest in these markets.

In addition to our operations in the United States, we currently have in-country distributors in Africa, Australia, Canada and are intending to market our products and technologies in other international markets, including both industrialized and developing countries. Political and economic instability or civil unrest in the markets where we operate, including Africa, could have a material adverse impact on our sales.

Our combined international operations are subject to various risks common to international activities, such as the following:

- our ability to maintain good relations with our overseas suppliers, distributors and customers to collect amounts owed from our overseas customers;

the possibility that our distributors and agents will continue to sell products into countries subject to United States sanctions notwithstanding our policies prohibiting such sales;

potential difficulties in enforcing contractual obligations and intellectual property rights;

complying with a wide variety of laws and regulations, including product certification, environmental, and import and export laws;

the challenges of operating in disparate geographies and cultures;

political and economic instability; and

adverse tax consequences, including, without limitation, restrictions on our ability to repatriate dividends from our subsidiaries.

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

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

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

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

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

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

The creditworthiness of our distributors is an ongoing concern.

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

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

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

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

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

Our success depends largely on the skills, experience and performance of our senior management. Our senior management consists of only two officers, our President and Chief Executive Officer, who has held that position for seven years, and our Chief Financial Officer, who has held that position for sixteen years. The loss of either member of our senior management could have a material adverse effect on our business. We do not maintain a key man insurance policy covering any or senior management or any other key employees. In addition, in the event that either our President or Chief Financial Officer is terminated by us without cause, the officer will be entitled to receive severance payments equal to twelve months' salary and certain benefits. In the event we are required to make these severance payments to our officers, it could have a material adverse effect on our results of operations for the fiscal period in which such payments are made.

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

Seasonal factors may affect our quarterly operating results.

Seasonality may cause our total revenues to fluctuate. Our American Power Group subsidiary may experience some seasonality in the Hurricane Belt located in the Southeastern U.S., where critical care installations are usually not scheduled during the July-October time frame.

Inflation and changing prices may hurt our business.

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

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

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

public or private financings. Any equity or debt financing, if available at all, may be on terms which are not favorable to us and, in the case of an equity financing or the use of our stock to pay for an acquisition, may result in dilution to our existing stockholders.

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

We are subject to growth-related risks, including capacity constraints and pressure on our internal systems and personnel. In order to manage current operations and any future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain employees. We may be unable to manage such growth effectively. Our management, personnel or systems may be inadequate to support our operations, and we may be unable to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth. Any such failure could have a material adverse impact on our business, operations and prospects. In addition, the cost of opening new facilities and the hiring of new personnel for those facilities could significantly decrease our

profitability, if the new facilities do not generate sufficient additional revenue.

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

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

Risks Related to the Securities Market and Our Common Stock

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

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

• we are now traded on the OTC Markets Group's OTCQB;

• changes in market valuations of similar companies;

• announcements by us or by our competitors of new or enhanced products, technologies or services or significant contracts, acquisitions, strategic relationships, joint ventures or capital commitments;

• regulatory developments;

• additions or departures of senior management and other key personnel;

• deviations in our results of operations from the estimates of securities analysts; and

• future issuances of our Common Stock or other securities.

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

As of April 11, 2013, we had options and warrants outstanding to purchase 35,129,245 additional shares of Common Stock. These reserved shares relate to the following: 4,180,000 shares for issuance upon exercise of awards granted under our 1993 Stock Option Plan, 1996 Non-Employee Director Stock Option Plan and 2005 Stock Option Plan, and 30,949,245 shares for issuance upon exercise of other stock options and stock purchase warrants. In addition, at that date, we had Convertible Preferred Stock which is convertible into 24,461,655 shares of Common Stock.

The exercise of these options and warrants as well as the payment of dividends on the Convertible Preferred Stock will cause additional shares of Common Stock to be issued, resulting in dilution to investors and our existing

stockholders. As of April 11, 2013, approximately 44,000,000 shares of our Common Stock were eligible for sale in the public market exclusive of the options and warrants noted above.

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

Our directors, executive officers and one other principal stockholder owned approximately 17 percent of our outstanding Common Stock as of April 11, 2013. Accordingly, these stockholders could have a significant influence over the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and also could prevent or cause a change in control. The interests of these stockholders may differ from the interests of our other stockholders. Third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership.

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

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

We may be required to pay cash dividends to the holders of our 10% Convertible Preferred Stock, which may reduce the funds available to invest in our business.

The outstanding shares of 10% Convertible Preferred Stock carry a 10% annual dividend that is payable quarterly. If we meet certain financial conditions, we may elect to pay the dividend in cash or in shares of our Common Stock. To date, we have not met such financial conditions and have been required to pay the dividends on the preferred stock in cash unless an individual holder has elected to receive the dividend in shares of our Common Stock. Continued failure to meet these conditions may require us to continue to pay the dividends to the holders of the preferred stock in cash and reduce the funds available to invest in our business.

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

Certain provisions of our Restated Certificate of Incorporation and By-Laws could have the effect, either alone or in combination with each other, of preventing, deterring or delaying a change in control of our company, even if a change in control would be beneficial to our stockholders. Delaware law may also discourage, delay or prevent someone from acquiring or merging with us. For more information regarding these provisions, see "Description of Capital Stock - Delaware Law and Certain Charter and By-Law Provisions" in this prospectus.

FORWARD-LOOKING STATEMENTS

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

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

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

USE OF PROCEEDS

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

DETERMINATION OF OFFERING PRICE

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

DILUTION

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

SELLING SECURITY HOLDERS

Selling Security Holders

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

9,908,591 shares that have been, or may be, acquired upon the conversion of shares of our 10% Convertible Preferred Stock, which preferred stock was issued to 15 investors in a private placement completed on April 30, 2012;

824,624 shares issued between June 30, 2012 and March 31, 2013 in lieu of the cash payment of dividends on the preferred stock in accordance with the terms of the Certificate of Designation governing such preferred stock; and

820,067 additional shares issuable within six months after March 31, 2013 in lieu of the cash payment of dividends on the preferred stock in accordance with the terms of the Certificate of Designation.

The following table sets forth the name of each selling security holder, the number of shares of Common Stock beneficially owned by each of the selling security holders as of April 11, 2013 and the number of shares of Common Stock being offered by the selling security holders. The following table has been updated to reflect transfers of 10% Convertible Preferred Stock, warrants to purchase shares Common Stock and rights to make an additional purchase of 10% Convertible Preferred Stock and warrants to purchase Common Stock which occurred after the closing of the private placement.

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

Name of Selling Security Holder (1)	Maximum Number of Shares That May be Acquired Upon Conversion of Preferred Stock (3)	Shares Issued upon Conversion of Preferred Stock and upon Payment of Dividends on the Preferred Stock	Maximum Number of Additional Shares Issuable Upon Payment of Dividends on the Preferred Stock (2)	Maximum Number of Shares That May be Acquired Upon Exercise of Warrants (3)	Maximum Number of Shares Total Beneficially Owned Before Offering (4)	Maximum Number of Shares Total Beneficially Owned After Offering (5)	Percentage of Common Stock Beneficially Owned After Offering (5)		
Next View Capital LP (6)	2,753,333	—	157,385	2,753,333	5,664,051	1,153,551	4,510,500	8.3	%
Objective Investments LLC (7)	333,333	7,068	13,170	333,333	686,904	140,839	546,065	1	%
Phillip Sylvester	666,666	31,706	8,770	666,666	1,373,808	281,678	1,092,130	2	%
Associated Private Equity LLC (8)	3,333,333	23,686	178,699	3,333,333	6,869,051	1,408,393	5,460,658	10.4	%
Chadds Ford LLC (8)	166,666	1,183	8,932	166,666	343,451	70,149	273,302	0.5	%
TS World Development Master Fund Ltd (9)		4,737			4,737		4,737	0.01	%
	133,333	3,448	3,700	133,333	273,814	56,335	217,479	0.4	%

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Thomas A. Schmitt & Nancy T. Schmitt Jt Ten (9)										
Todd E. Benson (9)	33,333	397	1,390	33,333	68,453	14,084	54,369	0.1	%	
Dave H. Williams IRA (9)	133,333	—	7,148	133,333	273,814	56,335	217,479	0.4	%	
Dave H. Williams (9)	333,334	—	17,869	333,334	684,536	140,839	543,697	1	%	
Mark D. Wyckoff (9)	33,333	—	1,787	33,333	68,453	14,084	54,369	0.1	%	
Ronald H. Muhlenkamp Carpe Diem Opportunity Fund LP (10)	2,333,333	107,623	34,044	2,333,333	4,808,333	985,875	3,822,458	7	%	
Provident Premier Master Fund Ltd. (11)	791,666	264,968	43,507	1,666,665	2,766,806	704,196	2,062,610	3.8	%	
SMC Select Co-Investment Fund I, LP (12)	3,333,333	154,292	48,089	3,333,333	6,869,047	1,408,393	5,460,654	10	%	
SMC Reserve Fund II, LP (12)	5,333,333	246,870	76,940	5,333,333	10,990,476	2,253,429	8,737,047	16.1	%	
SMC Reserve Fund II Offshore, LP (12)	1,333,333	61,717	19,235	1,333,333	2,747,618	563,356	2,184,262	4	%	
SMC Employees Partnership (12)	1,633,333	75,603	23,564	1,633,333	3,365,833	690,113	2,675,720	4.9	%	
Ironman PI Fund II (QP), L.P. (13)	991,666	574,824	74,750	1,666,666	3,307,096	698,275	2,609,631	4.8	%	
Cranshire Capital Master Fund, Ltd. (14)	125,000	125,000	26,804	500,000	776,804	211,258	565,546	1	%	
Kingsbrook Opportunities Master Fund LP (15)	166,666	—	38,108	666,666	871,440	279,310	592,130	1.1	%	

(1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Company Common Stock over which such person has voting or investment power and of which such person has the right to acquire beneficial ownership within 60 days of the date hereof. The table includes shares owned by

spouses, other immediate family members, in trust, shares held in retirement accounts or funds for the benefit of the named individuals, shares held as restricted stock and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power.

(2) The 10% Preferred Stock has a ten percent annual dividend, payable quarterly in cash or, subject to certain conditions, in shares of Common Stock. The table includes the maximum number of shares of Common Stock that may be issued in payment of these dividends within six months after March 31, 2013. The actual number of shares which may be issued in payment of dividends will depend, in part, on the value of our Common Stock, and whether we have satisfied certain conditions for the payment of dividends with shares of our Common Stock, as of the respective dividend payment dates.

(3) In connection with the private placement of preferred stock and warrants, the Company also granted the investors the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 1/3 of the number of shares of preferred stock and warrants purchased in the private placement, on the same terms and conditions as the original investments. All investors have exercised their additional investment rights to purchase a total of 273.9 units, each unit consisting of one share of 10% Preferred Stock and one warrant to purchase 25,000 shares of Common Stock. The shares of Common Stock which may be acquired by the selling security holders upon conversion of such shares of preferred stock or exercise of such warrants are not being registered for resale under this prospectus.

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

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

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

(7) Ross G. Kaminsky possesses voting power and investment power over all securities included in this table which are held by Objective Investments LLC.

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

(9) TS World Development Master Fund Ltd transferred the following securities: (i) to Thomas A. Schmitt & Nancy T. Schmitt Jr. Ten - four shares of 10% Convertible Preferred Stock which are convertible into 100,000 shares of Common Stock; a warrant to purchase 100,000 shares of Common Stock; and the right, exercisable at any time

before March 31, 2013, to make an additional purchase of up to 1.33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; (ii) to Todd Benson - one share of 10% Convertible Preferred Stock which is convertible into 25,000 shares of Common Stock; a warrant to purchase 25,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to .33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; (iii) to David H. Williams IRA - four shares of 10% Convertible Preferred Stock which are convertible into 100,000 shares of Common Stock; a warrant to purchase 100,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 1.33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; (iv) to David H. Williams - ten shares of 10% Convertible Preferred Stock which are convertible into 250,000 shares of Common Stock; a warrant to purchase 250,000 shares of Common Stock; and the right, exercisable at any time before March 31, 2013, to make an additional purchase of up to 3.33 units, each unit consisting of one share of 10% Convertible Preferred Stock and a warrant to purchase 25,000 shares of Common Stock; and (v) to Mark D. Wyckoff - one share of 10% Convertible Preferred Stock which is convertible into 25,000 shares of Common

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

(10) John Ziegelman possesses voting power and investment power over all securities included in this table which are held by Carpe Diem Opportunity Fund LP.

(11) Irv Kessler possesses voting power and investment power over all securities included in this table which are held by Provident Premier Master Fund Ltd., and John Ziegelman is authorized trading agent.

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

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

(14) Cranshire Capital Advisors, LLC (“CCA”) is the investment manager of Cranshire Capital Master Fund, Ltd. (“Cranshire Master Fund”) and has voting control and investment discretion over securities held by Cranshire Master Fund. Mitchell P. Kopin, the president, the sole member and the sole member of the Board of Managers of CCA, has voting control over CCA.

(15) Kingsbrook Partners LP (“Kingsbrook Partners”) is the investment manager of Kingsbrook Opportunities Master Fund LP (“Kingsbrook Opportunities”) and consequently has voting control and investment discretion over securities held by Kingsbrook Opportunities. Kingsbrook Opportunities GP LLC (“Opportunities GP”) is the general partner of Kingsbrook Opportunities and may be considered the beneficial owner of any securities deemed to be beneficially owned by Kingsbrook Partners. Ari J. Storch, Adam J. Chill and Scott M. Wallace are the sole managing members of Opportunities GP and GP LLC and as a result may be considered beneficial owners of any securities deemed beneficially owned by Opportunities GP and GP LLC. Messrs. Storch, Chill and Wallace possess voting power and investment power over all securities included in this table which are held by each of Kingsbrook Opportunities. Each of Kingsbrook Partners, Opportunities GP, GP LLC and Messrs. Storch, Chill and Wallace disclaim beneficial ownership of these securities.

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

Board Representation of Certain Selling Security Holders

The Certificate of Designation establishing the preferences and other special rights of our 10% Convertible Preferred Stock provides that the holders of such preferred stock, voting as a separate class, are entitled to elect three members of our Board of Directors. Pursuant to a voting agreement entered into on April 30, 2012 by the purchasers of such preferred stock on April 30, 2012, (a) Spring Mountain Capital (“Spring Mountain”) has a contractual right to designate two members of our Board of Directors for as long as selling security holders affiliated with Spring Mountain own

any shares of such preferred stock; and (b) Associated Private Equity, LLC (“Associated”) has a contractual right to designate one member of our Board of Directors for as long as selling security holders affiliated with Associated own any shares of such preferred stock. In connection with these rights, Spring Mountain designated Dr. Aviel Faliks and Mr. Jamie Weston, and Associated designated Neil Braverman to serve on our Board of Directors, and each was appointed a director of the Company effective April 30, 2012.

PLAN OF DISTRIBUTION

Each selling security holder and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the OTC Markets Group's OTCQB or any other stock exchange, market or trading

facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling security holder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- in transactions through broker dealers that agree with the selling security holders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

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

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

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

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

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

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

We agreed to keep this registration effective until the earlier of (i) the date on which the securities may be resold by the selling security holders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) the date when all of the securities have been sold pursuant to this prospectus or pursuant

to Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with. Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the Common Stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling security holders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the Common Stock by the selling security holders or any other person. We will make copies of this prospectus available to the selling security holders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

DESCRIPTION OF BUSINESS

General

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

Recent Developments

Distributor Agreement

In November 2012, we signed a National Distributor and Master Marketing Agreement with WheelTime Network LLC, a truck service network with 18 member companies providing installation and warranty support through nearly 200 service centers, 2,800 service bays, 3,000 factory-trained technicians and 30 training facilities located across the United States and Canada. Under the agreement, WheelTime will endorse APG's technology to its 18 member companies and encourage each member to become an exclusive certified installer and authorized dealer of APG's Vehicular Turbocharged Natural Gas Systems. As of April 11, 2013, 17 of the 18 of WheelTime's member companies have agreed to become installers and dealers of our equipment. We believe that this relationship provides us the opportunity to accelerate the national rollout of our vehicular dual fuel through access to a large national network of qualified diesel engine personnel as well as testing/installation equipment.

In addition, we issued WheelTime a warrant to purchase 1,540,000 shares of our Common Stock at an exercise price of \$.55 per share. The warrant is immediately exercisable with respect to 100,000 shares of Common Stock with the remaining shares becoming exercisable in increments of 50,000 shares upon the execution of a certified installer and service agreement by each of the 18 members during the first year after the original issue date of the Warrant. An additional 30,000 warrants become exercisable if a member agrees to become an exclusive dealer. The Warrant will expire on December 31, 2017.

Financing Arrangements

In April 2012, we completed the following actions.

Private Placement

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

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

The holders of the 10% Preferred Stock vote with the Common Stock on all matters presented to the holders of the Common Stock, other than the election of certain directors, on an as converted into Common Stock basis. The holders of 10% Preferred Stock voting as a separate class are entitled to elect three members of the Board of Directors. In connection with the exercise of that right, Dr. Allen Kahn and Thomas Galvin resigned from the Board of Directors following the completion of the private placement and the Board of Directors appointed Neil Braverman, Dr. Aviel Falijs and Jamie Weston as directors. The number of directors elected by the holders of our Common Stock, voting as a separate class, was reduced from four to three effective March 31, 2013. Kevin Tierney, Sr. resigned from the Board

of Directors on January 10, 2013 in anticipation of that change. The holders of the 10% Preferred Stock also have certain rights to elect additional members of the Board of Directors in the event we fail to make the dividend payments as required by the terms of the 10% Preferred Stock. In addition, the approval of the holders of at least 67% of the outstanding 10% Preferred Stock will be required before we may take certain actions.

The holders of the 10% Preferred Stock have priority in the event of a liquidation of our company over the outstanding shares of Common Stock. Upon liquidation, dissolution or winding up of our company, whether voluntary or involuntary, before any

distribution or payment is made to the holders of the Common Stock, the holders of the 10% Preferred Stock are entitled to be paid out of the assets of the company an amount equal the stated value of the 10% Preferred Stock, which is initially \$10,000 per share, plus any accrued, but unpaid, dividends.

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

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

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

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

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

Amendments to Certain Related Party Promissory Notes

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

Amendment to Patent License and Note

On April 27, 2012, we entered into an amendment to the exclusive patent license agreement dated June 17, 2009, under which we license certain dual fuel technology from M & R Development, Inc. The amendment amends the royalty provisions in the license to modify the calculation of the royalty payments and to amend the timing of the royalty payments. Under the provisions of this amendment, effective April 1, 2012, the monthly royalty amount due to

M&R will be the lesser of 10% of net sales or 30% of pre-royalty EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). No royalties will be due if cumulative EBITDA is less than zero. M&R also agreed to waive any prior defaults under the license. In addition, we amended the amended and restated promissory note issued to American Power Group by M&R on December 1, 2009 to extend the maturity of the note until February 15, 2015 and to defer all interest and principal payments due under the note during calendar 2012. Thereafter, the aggregate principal amount due under the note will be paid in eight equal quarterly payments plus interest.

Extension of Iowa State Credit Facility

On April 25, 2012, Iowa State Bank agreed to extend the maturity of American Power Group's working capital line of credit to April 25, 2013 and increased the borrowing limits under the facility to \$2.25 million. On December 12, 2012, Iowa State Bank

agreed to further extend the maturity of American Power Group's working capital line of credit to December 31, 2013. The other terms and conditions of the credit facility remain unchanged.

Convertible Debenture Conversions

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

Divestiture of Molded Rubber Products Business

In March 2011, we announced our intention to divest our Green Tech Products business and to devote all of our corporate resources to American Power Group's dual fuel conversion business. In July 2011, our shareholders approved the sale of substantially all of Green Tech Products' assets, subject to substantially all of its liabilities, to Irish Knight Holdings, L.L.C., a company co-owned by two of Green Tech Products' senior managers. We completed the sale on August 1, 2011, for consideration consisting of (i) the assumption of substantially all of Green Tech Products' liabilities, which were approximately \$1.2 million, (ii) a \$50,000 stock inventory credit toward the purchase of products and services from the buyer, which credit may be applied during the first nine months after completion of the sale; and (iii) a promissory note in the principal amount of \$100,000 which is payable in increasing monthly installments over a period of 60 months.

In March 2012, Irish Knight Holdings agreed, in consideration of a \$25,000 reduction in the stock inventory credit and a \$38,000 reduction in the then outstanding balance of the promissory note, to pay us a total of \$80,000 by December 31, 2012 in full satisfaction of the inventory credit and note. The note was paid off in December 2012.

U.S. Vehicular Rollout Initiative

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

In September 2011, we were notified by the EPA that our first submission under the new regulations had been approved and as of April 11, 2013 we have successfully obtained 110 EPA approvals for various OUL vehicular families.

Products and Services

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

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

The proprietary technology seamlessly displaces 40% to 70% of the normal diesel fuel consumption with various forms of natural gas and the energized fuel balance between the two fuels is maintained with a patented control system ensuring the engines operate to Original Equipment Manufacturers' (OEM) specified temperatures and pressures with no loss of horsepower. Installation requires no engine modification, unlike the more expensive fuel injected alternative fuel systems in the market.

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

- Reduce fuel and operating costs by 20% to 35%;
- Reduce toxic emissions such as nitrogen oxide (NOX), carbon monoxide (CO) and fine particulate emissions; and
- Enhance the engine's operating life, since natural gas is a cleaner burning fuel source.

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

Manufacturing/Processing

Our dual fuel conversion enhancement system is configured by our internal engineering staff based on customer engine

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

Raw Materials

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

Customers

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

The EPA estimates there are 20 million diesel engines operating in the U.S., with an estimated 13 million used in vehicular applications and 7 million used in stationary generator applications. We believe the number of available international stationary and vehicular diesel engines is significantly higher than the U.S. market.

Sales and Marketing

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

Competition

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

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

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

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

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

Our solution uses software to manage the introduction of natural gas under negative pressure to the engine's turbo charger, thus eliminating the need for costly and maintenance-prone fuel injectors and therefore making our solution more cost effective than others. In addition, our solution has a more universal design than others and therefore is applicable to a wider range of engine

models and sizes than our competitor's solutions currently are. Today, our primary focus is on upgrading the installed base of existing diesel engines. We believe our dual fuel conversion technology upgrade is ideally suited for the large domestic and international installed base of both stationary and vehicular diesel engines, which is estimated to be in the millions of units.

Government Regulation

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

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

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

In September 2011, we were notified by the EPA that our first OUL submission under the new regulations had been approved and as of April 11, 2013 we have successfully obtained 110 EPA approvals for various OUL vehicular engine families.

In addition to our operations in the United States, we currently have in-country distributors in Africa, Australia, Canada are looking to market our products and technologies in other international markets, including both industrialized and developing countries. Prior to marketing our dual fuel solution in countries outside the United States, we must ensure our technology is compliant with the appropriate in-country rules and regulations. We typically use our in-country distributors as a resource to identify the appropriate governing body and applicable regulations surrounding the use of our dual fuel conversion technology.

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

Protection of Intellectual Property Rights and Proprietary Rights

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

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

Employees

As of September 30, 2012, we had 14 full time employees and 2 part-time employees. We are not a party to any collective bargaining agreements and consider the relationship with our employees to be satisfactory.

DESCRIPTION OF PROPERTIES

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

Our dual fuel conversion subsidiary leases office and warehousing space in Iowa from M&R Development (“M&R”), a company co-owned by an American Power Group employee. On October 1, 2010, we signed a one year lease with M&R with monthly rental payments of \$8,914 on a triple net basis. On October 1, 2011, we executed a new two year lease agreement requiring monthly rental payments of \$10,000 on a triple net basis. On May 1, 2012, we executed a new three year lease with M&R. Under the terms of the lease, monthly rental payments of \$10,000 on a triple net basis are required for the first year and then increasing in years two and three by the percentage growth in the Greater Des Moines Consumer Price Index (or equivalent index) for the latest available twelve months prior to the date of the increase. We have the option to renew this lease for an additional two year term at a mutually agreed upon rate.

We consider our properties in good condition, well maintained and generally suitable to carry on our business activities for the foreseeable future.

LEGAL PROCEEDINGS

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

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

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

	Common Stock	
	High	Low
Fiscal 2011		
Quarter Ended December 31, 2010	\$0.61	\$0.40
Quarter Ended March 31, 2011	0.60	0.39
Quarter Ended June 30, 2011	0.89	0.55
Quarter Ending September 30, 2011	0.89	0.70
Fiscal 2012		
Quarter Ended December 31, 2011	\$0.79	\$0.48
Quarter Ended March 31, 2012	0.84	0.45
Quarter Ended June 30, 2012	0.78	0.58
Quarter Ending September 30, 2012	0.85	0.47
Fiscal 2013		
Quarter Ended December 31, 2012	\$0.66	\$0.49
Quarter Ending March 31, 2013	0.78	0.65
Quarter Ending June 30, 2013 (through April 10, 2013)	0.64	0.59

On March 31, 2013, the closing price of our Common Stock was \$0.68 per share.

25

As of March 31, 2013, we estimate the approximate number of stockholders of record of our Common Stock to be 1,300. This number excludes individual stockholders holding stock under nominee security position listings. We have not paid any cash dividends on our Common Stock since inception and do not anticipate paying any cash dividends in the foreseeable future. Our 10% Convertible Preferred Stock has a 10% annual dividend, payable quarterly in cash or in shares of Common Stock. The terms of the 10% Convertible Preferred Stock restrict our ability to pay dividends on our Common Stock if the dividends due on the 10% Convertible Preferred Stock are unpaid.

Equity Compensation Plan Information

The table below sets forth certain information as of September 30, 2012 with respect to equity compensation plans under which our Common Stock is authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by stockholders (1)	4,062,000	\$0.36	1,675,000
Equity compensation plans not approved by stockholders (2)	12,000		