ORIGINOIL INC
Form 10-Q
May 15, 2014

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

Form 10-Q

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: March 31, 2014

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: ________________

ORIGINOIL, INC.
(Exact name of registrant as specified in its charter)

Nevada	26-0287664
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5645 West Adams Blvd
Los Angeles, CA 90016
(Address of principal executive offices, Zip Code)

(323) 939-6645
(Registrant's telephone number, including area code)

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

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

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

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

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

The number of shares of registrant’s common stock outstanding, as of May 14, 2014 was 79,026,771.

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PART I - FINANCIAL INFORMATION

ORIGINOIL, INC.
BALANCE SHEETS

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash	$994,682	$821,448
Accounts receivable	22,962	-
Work in process	30,846	21,049
Prepaid expenses	32,661	34,531
TOTAL CURRENT ASSETS	1,081,151	877,028
NET PROPERTY AND EQUIPMENT	79,033	74,204
OTHER ASSETS		
Other asset	37,038	40,000
Trademark	4,467	4,467
Security deposit	9,650	9,650
TOTAL OTHER ASSETS	51,155	54,117
TOTAL ASSETS	$1,211,339	$1,005,349
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$223,419	$114,803
Accrued expenses	148,143	262,518
Deferred income	-	50,000
Derivative liabilities	3,821,957	1,031,484
Convertible promissory notes, net of discount of $1,032,803 and 971,964, respectively	1,040,321	953,989
Total Current Liabilities	5,233,840	2,412,794
Long Term Liabilities		
Obligation to issue common stock	47,306	105,754
TOTAL LIABILITIES	5,281,146	2,518,548
SHAREHOLDERS' DEFICIT		

Preferred stock, $0.0001 par value;		
25,000,000 authorized preferred shares	-	-
Common stock, $0.0001 par value, 250,000,000 shares authorized		
68,084,274 and 53,664,505 shares issued and outstanding, respectively	6,808	5,366
Additional paid in capital	36,485,732	34,811,538
Accumulated deficit	(40,562,347)	(36,330,103)
TOTAL SHAREHOLDERS' DEFICIT	(4,069,807)	(1,513,199)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$1,211,339	$1,005,349

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

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ORIGINOIL, INC.
STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Sales	$ 159,410	$ -
Cost of Goods Sold	105,970	-
Gross Profit	53,440	-
Operating Expenses		
Selling and general and administrative expenses	1,265,851	723,828
Research and development	246,847	212,775
Depreciation and amortization expense	3,856	3,348
Total Operating Expenses	1,516,554	939,951
Loss from Operations	(1,463,114)	(939,951)
OTHER INCOME/(EXPENSE)		
Realized gain on investment	6,353	-
Gain on extinguishment of derivative liability	1,351,542	(79,520)
Loss on change in derivative liability	(3,485,259)	(782,249)
Commitment fee	-	(358,187)
Interest expense	(641,766)	(487,569)
TOTAL OTHER INCOME/(EXPENSE)	(2,769,130)	(1,707,525)
NET LOSS	$ (4,232,244)	$ (2,647,476)
BASIC LOSS PER SHARE	$ (0.07)	$ (0.14)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING, BASIC AND DILUTED	59,021,011	18,323,344

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

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ORIGINOIL, INC.
STATEMENT OF SHAREHOLDERS' DEFICIT
THREE MONTHS ENDED MARCH 31, 2014
(Unaudited)

	Preferred stock		Common stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at December 31, 2013	-	$-	53,664,505	$5,366	$34,811,538	$(36,330,103)	$(1,513,199)
Common stock issued at fair value for services	-	-	1,587,383	159	320,230	-	320,389
Common stock issuance for conversion of debt	-	-	9,553,162	955	785,947	-	786,902
Common stock issued upon exercise of warrants	-	-	3,000,000	300	449,700	-	450,000
Common stock issuance of supplemental shares	-	-	279,224	28	58,420	-	58,448
Stock and warrant compensation cost	-	-	-	-	59,897	-	59,897
Net loss for the three months ended March 31, 2014	-	-	-	-	-	(4,232,244)	(4,232,244)
Balance at March 31, 2014	-	$-	68,084,274	$6,808	$36,485,732	$(40,562,347)	$(4,069,807)

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

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ORIGINOIL, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,232,244)	$ (2,647,476)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation & amortization	3,856	3,348
Gain on sale of investment	(6,353)	-
Common stock and warrants issued for services	320,389	154,898
Stock and warrant compensation expense	59,897	30,644
Change in valuation of derivative liability	3,485,259	782,249
Debt discount and original issue discount recognized as interest expense	595,917	427,134
Commom stock issued for interest on debt	49,073	-
(Gain)/loss on extinguishment of derivative liability	(1,351,542)	79,520
Non cash commitment fee expense	-	358,187
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Accounts receivable	(22,962)	-
Prepaid expenses	1,870	(4,132)
Work in progress	(9,797)	(21,136)
Other asset	2,500	1,200
Increase (Decrease) in:		
Accounts payable	108,616	36,970
Accrued expenses	(114,375)	53,684
Deferred income	(50,000)	5,000
NET CASH USED IN OPERATING ACTIVITIES	(1,159,896)	(739,910)
CASH FLOWS USED FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(8,685)	(2,656)
Patent expenditures		(49,399)
Proceeds from sale of investment, at cost	6,815	-
CASH USED IN INVESTING ACTIVITIES	(1,870)	(52,055)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible promissory notes	885,000	335,000
Proceeds for issuance of common stock	450,000	207,533
	1,335,000	542,533

NET CASH PROVIDED BY FINANCING ACTIVITIES				
NET INCREASE/(DECREASE) IN CASH		173,234		(249,432)
CASH BEGINNING OF PERIOD		821,448		507,355
CASH END OF PERIOD	$	994,682	$	257,923
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$	-	$	5,262
Taxes paid	$	-	$	-
SUPPLEMENTAL DISCLOSURES OF NON CASH TRANSACTIONS				
Fair value of derivative liability recorded as valuation discount	$	656,756	$	-
Common stock issued for conversion of notes	$	786,902	$	53,872
Common stock issued for supplemental shares	$	58,448	$	-

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

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ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

1. Basis of Presentation

The accompanying unaudited condensed financial statements of OriginOil, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2013.

Going Concern
The accompanying condensed financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying condensed financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. During the three months ended March 31, 2014, the Company did not generate significant revenue, incurred a net loss of $4,232,244 and cash used in operations of $1,159,896. As of March 31, 2014, the Company had a working capital deficiency of $4,152,689 and a shareholders' deficit of $4,069,807. These factors, among others raise substantial doubt about the Company's ability to continue as a going concern. Our independent auditors, in their report on our audited financial statements for the year ended December 31, 2013 expressed substantial doubt about our ability to continue as a going concern. The ability of the Company to continue as a going concern and the appropriateness of using the going concern basis is dependent upon, among other things, achieving a level of profitable operations and receiving additional cash infusions. During the three months ended March 31, 2014, the Company obtained funds from the issuance of convertible note agreements and from the exercise of its common stock warrants. The Company also has standing purchase orders and open invoices with customers which will provide funds for operations. Management believes this funding will continue from its current investors and from new investors. Management believes the existing shareholders, the prospective new investors and future sales will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the development of its core business operations. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stock holders, in case of equity financing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Revenue Recognition
We recognize revenue upon delivery of equipment, provided that evidence of an arrangement exists, title, and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably

assured. Title to the equipment is transferred to the customer once the last payment is received. We record revenue as it is received, and the equipment has been fully accepted by the customer. Generally, we extend credit to our customers and do not require collateral. We do not ship a product until we have either a purchase agreement or rental agreement signed by the customer with a payment arrangement.

Loss per Share Calculations

Basic loss per share is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include securities or other contracts to issue common stock that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The Company's diluted loss per share is the same as the basic loss per share for the three months ended March 31, 2014 and 2013, as the inclusion of any potential shares would have had an anti-dilutive effect due to the Company generating a loss.

For the period ended March 31, 2014, the Company has excluded 1,946,705 exercisable options, 40,711,474 warrants outstanding, and notes convertible into 24,281,928 shares of common stock, because their impact on the loss per share is anti-dilutive.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the Financial Accounting Standards Board whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

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ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Fair Value of Financial Instruments
Fair Value of Financial Instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of March 31, 2014, the balances reported for cash, prepaid expenses, accounts payable, and accrued expenses approximate the fair value because of their short maturities.

We adopted ASC Topic 820 for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table presents certain liabilities of the Company's financial assets measured and recorded at fair value on the Company's balance sheets on a recurring basis and their level within the fair value hierarchy.

	(Level 1)	(Level 2)	(Level 3)
Derivative Liability,March 31, 2014	$ -	$ -	$ 3,821,957
Derivative Liability, December 31, 2013	$ -	$ -	$ 1,031,484

Accounting for Derivatives
The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statement of operations. For stock-based derivative financial instruments, the Company uses a probability weighted average series Black-Scholes-Merton option pricing models to value the derivative instruments at inception and on subsequent valuation dates.

Use of Estimates

The preparation of the condensed financial statements in conformity with accounting principles generally accepted in the U.S requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. Significant estimates are used in valuing our stock options, warrants, convertible notes, and common stock issued for services, among other items. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

Management reviewed accounting pronouncements issued during the period ended March 31, 2014, and no pronouncements were believed by management to have a material impact on the Company's present or future financial statements.

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ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

3. CONVERTIBLE PROMISSORY NOTES

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

Balance as of	March 31, 2014	December 31, 2013
Convertible Promissory Notes (a)	$ 1,750,000	$ 1,530,000
OID Notes (b)	273,124	273,125
Securities Purchase Agreement (c)	50,000	122,828
Total Notes	2,073,124	1,925,953
Debt Discount	(1,032,803)	(971,964)
	$ 1,040,321	$ 953,989

(a) Convertible Promissory Notes
As of March 31, 2014 and December 31, 2013, the Company had outstanding $1,750,000 and $1,530,000, respectively, of unsecured convertible Notes to investors (the "Convertible Promissory Notes" or "Notes"). The Notes mature nine months from the date of issuance and bear interest at 10% per annum. The Notes may be converted into shares of the Company's common stock at conversion prices range of the lesser of $0.20 to $0.30 (subject to adjustment for stock splits, dividends, combinations and other similar transactions) or 50% of the lowest trade price on any trade day following issuance of the Notes. The Notes include customary default provisions related to payment of principal and interest and bankruptcy or creditor assignment. In the event of default, the Notes shall become immediately due and payable at the mandatory default amount. The mandatory default amount is 150% of the Note amount and such mandatory default amount shall bear interest at 10% per annum. In addition, for as long as the Notes or other convertible notes in effect between the purchaser and the Company are outstanding, if the Company issues any security with terms more favorable than the terms of the Notes or such other convertible notes or a term was not similarly provided to the purchaser of the Notes or such other convertible notes, then such more favorable or additional term shall, at the purchaser's option, become part of the Notes and such other convertible notes. The conversion feature of the Notes was considered a derivative in accordance with current accounting guidelines because of the reset conversion features of the Notes.

During the three months ended March 31, 2014, the Company issued an additional $885,000 of these Notes, and converted $665,000 in aggregate principal, plus accrued interest of $34,073 into 8,877,130 shares of common stock. As of March 31, 2014, the Notes remaining balance of $1,750,000 are due at various times through December 26, 2014.

(b) OID Notes
As of March 31, 2014 and December 31, 2013, the remaining balance of the OID Notes was $273,125. The Notes are unsecured convertible promissory notes (the "OID Notes"), that includes an original issue discount and one time interest, which has been fully amortized. The OID Notes were extended and have various due dates through September 19, 2014. The OID Notes are convertible into shares of the Company's common stock at a conversion price initially of $0.4375. In addition, so long as the OID Notes or other convertible note transactions currently in effect

between the Company and the holders are outstanding, upon any issuance by the Company of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the holders in these OID Notes, then such additional or more favorable term shall at the OID Notes holders' option become a part of any or all of the outstanding OID Notes with the holders. On January 16, 2014, a holder of a note with a more favorable term converted that note at a price of $0.07875, which became part of the OID Notes due to the reset provision mentioned above. The conversion feature of the OID Notes was considered a derivative in accordance with current accounting guidelines because of the reset conversion features of the OID Notes.

(c) Securities Purchase Agreement

On June 20, 2012, the Company received an initial advance of $100,000. The funds were received in consideration of the sale of a 10% unsecured convertible promissory note, with an aggregate sum of $400,000, plus warrants to purchase an aggregate of up to 615,385 shares of the Company's common stock at a purchase price of $0.65 per share. The note originally matured six months from the date of each purchase made under the note, and bore interest at a rate of 10% per annum, which increased to 15% when the note was not repaid by September 18, 2012. The Note was originally convertible into shares of the Company's common stock at a conversion price of $0.65. The warrants may be exercised at any time for a period of four years from the date of issuance at an exercise price of $0.65.

On February 15, 2013, the Company and the lender entered into an amendment to the note providing for, among other things, an extension of the maturity date of the note until July 21, 2013 and the amendment of the conversion price of the note to the lesser of $0.65 or 70% of the average of the three lowest closing prices in the 25 trading days previous to a conversion. At December 31, 2013, the unpaid advances under the securities purchase agreement amounted to $122,828. During the three months ended March 31, 2014, the lender converted $72,828 of the convertible notes, plus accrued interest of $15,000, leaving a remaining principal balance of $50,000, which is due on January 10, 2015. During the three months ended March 31, 2014, the Company recognized interest expense of $7,500.

ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

3. CONVERTIBLE NOTES PAYABLE (Continued)

The conversion feature of the notes was considered a derivative in accordance with current accounting guidelines because of the reset conversion features of the notes.

Conversion feature of the notes
The agreements governing the convertible notes discussed above (notes (a), (b) and (c), includes an anti-dilution provision that allows for the automatic reset of the conversion price upon any future sale of the Company’s common stock, warrants, options, convertible debt or any other equity-linked securities at an issuance, exercise or conversion price below the current conversion price of the Amended Notes or exercise price of the warrants issued with the Convertible Notes. The Company considered the current FASB guidance of “Determining Whether an Instrument Indexed to an Entity’s Own Stock” which indicates that any adjustment to the fixed amount (either conversion price or number of shares) of the instrument regardless of the probability or whether or not within the issuers’ control, means the instrument is not indexed to the issuers own stock. Accordingly, the Company determined that the conversion prices of the Convertible Notes are not a fixed amount because they are subject to fluctuation based on the occurrence of future offerings or events. As a result, the Company determined that the conversion features are not considered indexed to the Company’s own stock and characterized the initial fair value of these conversion features as derivative liabilities upon issuance. The Company determined the aggregate initial fair value of the embedded conversion feature of the Convertible Notes issued during the three months ended March 31, 2014 to be $656,756. These amounts were determined by management with the use of weighted average Black-Scholes Merton option pricing model. As such, the Company recorded a $656,756 valuation discount upon issuance of the notes. The Company is amortizing this valuation discount to interest expense over the life of the notes. During the three months ended March 31, 2014, the Company included $595,917 of interest relating to the amortization of these discounts, and as of March 31, 2014, the unamortized balance of the note discount was $1,032,803.

4. DERIVATIVE LIABILITIES

In June 2008, the FASB issued authoritative guidance on determining whether an instrument (or embedded feature) is indexed to an entity’s own stock. Under the authoritative guidance, effective January 1, 2009, instruments which did not have fixed settlement provisions were deemed to be derivative instruments. As a result, certain convertible notes issued related to the private placement described in Notes 3 do not have fixed settlement provisions because their conversion prices may be lowered if the Company issues securities at lower prices in the future. The conversion feature has been characterized as derivative liabilities to be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

During the three months ended March 31, 2014, as a result of convertible notes (“Notes”) we issued that were accounted for as derivative liabilities, we determined that the fair value of the conversion feature of the convertible notes at issuance was $656,756, based upon a Black-Sholes-Merton calculation. We recorded the full value of the derivative as a liability at issuance with an offset to valuation discount, which will be amortized over the life of the Notes.

During the three months ended March 31, 2014, $786,902 of convertible notes and accrued interest were converted. As a result of the conversion of these notes, the Company recorded a gain of $1,351,542 due to the extinguishment of the corresponding derivative liability. Furthermore, during the three months ended March 31, 2014, the Company recognized a loss of $3,485,259 to account for the change in fair value of the derivative

liabilities. At March 31, 2014, the fair value of the derivative liability was $3,821,957.

For purpose of determining the fair market value of the derivative liability for the embedded conversion feature, the Company used Black Scholes option valuation model. The significant assumptions used in the Black Scholes valuation of the derivative are as follows:

	as of March 31, 2014	as of December 31, 2013
Convertible Notes	3,821,957	1,031,484
Risk free interest rate	.05% - .13 %	.05% - .72 %
Stock volatility factor	99% - 133 %	86.88% - 101.0 %
Weighted average expected option life	6 - 9 months	6 months - 4 years
Expected dividend yield	None	None

5. CAPITAL STOCK

During the three months ended March 31, 2014, the Company issued 1,587,383 shares of common stock for services with prices ranging from $0.20 up to $0.21 with a total fair value of $320,389. The shares issued were valued at the trading price at the date of the agreement.

During the three months ended March 31, 2014, the Company issued 9,553,162 shares of common stock for the settlement of convertible promissory notes in an aggregate principal in the amount of $737,828, plus interest in the amount of $49,074, based upon conversion prices of $0.08 up to $0.14.

During the three months ended March 31, 2014, the Company issued 3,000,000 shares of common stock upon exercise of 3,000,000 warrants for cash in the amount of $450,000.

ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

5. CAPITAL STOCK (Continued)

Issuance of supplemental shares
During the year ended December 31, 2013, the Company raised aggregate proceeds of $2,267,542 from the sale of 12,274,616 units of common stock and warrants. Subsequent to sale of the common stock units discussed above, the Company entered into a supplemental agreement with the subscribers of the original subscription agreement. Under the terms of the supplemental agreement, if at any time within eighteen (18) months following the issuance of shares to the subscriber (the "Adjustment Period"), the market price (as defined below) of the Company's common stock is less than the price per share, then the price per share shall be reduced one time to the market price (the "Adjusted Price") such that the Company shall promptly issue additional shares of the Company's common stock to the Subscriber for no additional consideration, in an amount sufficient that the aggregate purchase price, when divided by the total number of shares purchased thereunder plus those shares of common stock issued as a result of the dilutive Issuance will equal the adjusted price. For the purposes hereof: the "Market Price" shall mean the average closing price of the Company's common stock for any ten (10) consecutive trading days during the Adjustment Period.

The Company considered the effects of the above and determined that as of December 31, 2013 it should record a provision to reflect its potential obligation to issue such shares. The Company is accounting for this liability as of each reporting period until the defined adjustment period has terminated. Based upon its calculation, the Company recorded an obligation at December 31, 2013, to issue shares with a fair value of $105,754. During the period ended March 31, 2014, the Company issued 279,224 of these shares, which has reduced its liability to $47,306 as of March 31, 2014.

6. OPTIONS AND WARRANTS

Options
The Board of Directors adopted the OriginOil, Inc., 2009 Incentive Stock Option Plan (the “2009 Plan”) for the purposes of granting stock options to its employees and others providing services to the Company, which reserves and sets aside for the granting of options for Five Hundred Thousand (500,000) shares of Common Stock.

On May 25, 2012, the Board of Directors adopted a new OriginOil, Inc., 2012 Incentive Stock Option Plan (the “2012 Plan”) for the purposes of granting stock options to its employees and others providing services to the Company, which reserves and sets aside for the granting of options for One Million (1,000,000) shares of Common Stock. Options granted under these Plans may be either incentive options or nonqualified options and shall be administered by the Company's Board. Each Option shall be exercisable to the nearest whole share, in installments or otherwise, as the respective option agreements may provide. Notwithstanding any other provision of the Plan or of any option agreement, each Option shall expire on the date specified in the option agreement, which date shall not be later than the tenth (10th) anniversary from the effective date of grant.

On June 14, 2013, the Board of Directors adopted a new OriginOil, Inc., 2013 Incentive Stock Option Plan (the “2013 Plan”) for the purposes of granting stock options to its employees and others providing services to the Company, which reserves and sets aside for the granting of options for Four Million (4,000,000) shares of Common Stock. Options granted under the Plan may be either incentive options or nonqualified options and shall be administered by the Company's Board. Each Option shall state the number of shares to which it pertains. The exercise price will be determined by the holders percentage owned as follows: If the holder owns more than 10% of the total combined

voting power or value of all classes of stock of the Company, then the exercise price will be no less than 110% of the fair market value of the stock as of the date of grant; if the person is not a 10% holder, then the exercise price will be no less than 100% of the fair market value of the stock as of the date of grant. Notwithstanding any other provision of the 2013 Plan or of any option agreement, each Option shall expire on the date specified in the option agreement, which date shall not be later than the tenth (10th) anniversary from the date of grant. If the status of an employee terminates for any reason other than disability or death, then the Optionee or their representative shall have the right to exercise the portion of any Options which were exercisable as of the date of such termination, in whole or in part, not less than 30 days nor more than three (3) months after such termination.

With respect to Non-statutory Options granted to employees, directors or consultants, the Board or Committee may specify such period for exercise that the Option shall automatically terminate following the termination of employment or services as to shares covered by the Option as the Board or Committee deems reasonable and appropriate.

During the three months ended March 31, 2014, the Company did not grant any incentive stock options but recognized compensation costs of $59,897 based on the fair value of the options vested for the period ended March 31, 2014, which is included in the general and administrative expense on the Statement of Operations, and the remaining unvested stock compensation of $539,743 as of March 31, 2014 will be amortized in future periods.

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ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

6. OPTIONS AND WARRANTS (Continued)

A summary of the Company's stock option activity and related information follows:

	March 31, 2014	
	Number of Options	Weighted average exercise price
Outstanding, beginning of period	4,684,643	$ 0.53
Granted	-	-
Exercised	-	-
Forfeited/Expired	(295,000)	0.65
Outstanding, end of period	4,389,643	$ 0.53
Exercisable at the end of period	1,946,705	$ 0.44
Weighted average fair value of options granted during the period		$ -

The weighted average remaining contractual life of options outstanding issued under the 2009 Plan, 2012 Plan, and 2013 Plan as of March 31, 2014 was as follows:

Exercisable Prices	Stock Options Outstanding	Stock Options Exercisable	Weighted Average Remaining Contractual Life (years)
$ 0.43 - 7.20	1,606,978	1,003,080	1.48 - 9.46
$ 0.29 - 0.44	2,782,665	943,625	9.46
	4,389,643	1,946,705	

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the financial statements of operations during the three months ended March 31, 2014, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of March 31, 2014 based on the grant date fair value estimated.

Warrants

During the three months ended March 31, 2014, the Company did not grant any warrants.

A summary of the Company's warrant activity and related information follows:

	March 31, 2014		
	Options		Weighted average exercise price
Outstanding -Janaury 1, 2014	42,033,596	$	0.31
Granted	-		-
Exercised	(3,000,000)		0.15
Forfeited	-		-
Outstanding - March 31, 2014	39,033,596	$	0.31

At March 31, 2014, the weighted average remaining contractual life of warrants outstanding:

	Exercisable Prices	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life (years)
$	0.15 - 0.65	37,355,718	37,355,718	0.75 - 4.21
$	0.26 - 5.70	866,362	866,362	1.35 - 4.47
$	0.90 - 10.20	811,516	811,516	0.50 - 8.88
		39,033,596	39,033,596	

The intrinsic value of the outstanding warrants at March 31, 2014 was $1,740,000.

ORIGINOIL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS – (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014 AND 2013

7. SUBSEQUENT EVENTS

Management evaluated subsequent events as of the date of the financial statements pursuant to ASC TOPIC 855, and reported the following events:

On January 10, 2014, the Company's Board of Directors authorized the entering into of restricted stock grant agreements providing for the grant of an aggregate of 45,000,000 shares of common stock to certain key management members of the Company. The shares were eligible for issuance subject to the satisfaction of certain performance criteria and if such performance criteria were met, the shares then become eligible for vesting on a monthly basis. On April 5, 2014, and prior to the issuance or vesting of any of the shares, each of the grantees mutually agreed with the Company to the termination of the restricted stock grant agreements entered into on January 10, 2014. Subsequently, on April 9, 2014, the Company's Board of Directors authorized the entering into of restricted stock grant agreements providing for the grant of an aggregate of 40,000,000 shares of common stock to certain key management members of the Company which was amended again on May 12, 2014 to increase the shares from 40,000,000 to 62,500,000. The shares are eligible for issuance subject to the satisfaction of certain performance criteria and if such performance criteria are met, the shares then become eligible for vesting on a monthly basis.

Between April 16, 2014 and May 12, 2014, holders of convertible notes, known in our filings as "Convertible Promissory Notes" converted an aggregate outstanding principal amount of $185,000, plus unpaid interest of $10,025 into an aggregate of 2,476,504 shares of the Company's common stock.

During the subsequent period through April 16, 2014, in connection with certain one-time make good agreements, the Company issued an aggregate of 163,924 shares of its common stock at a fair value of $32,824 to certain holders of its common stock.

On April 22, 2014, holders of warrants to purchase up to an aggregate of 2,000,000 shares of the Company's common stock at an exercise price of $0.15 per share delivered notice of election to exercise the warrants in full on a cash basis resulting in the issuance of 2,000,000 shares of the Company's common stock for an aggregate purchase price of $300,000. Such holders are affiliates of a beneficial owner of more than 5% of the Company's outstanding shares of common stock.

During the subsequent period through May 1, 2014, the Company issued 6,302,069 shares of common stock for services at a fair value of $1,277,001. Included in the issuance of those shares, on April 9, 2014, we issued 2,160,000 shares of our common stock to a consultant in lieu of cash consideration. In addition, between April 9, 2014 and May 12, 2014, we issued to consultants an aggregate of 4,020,000 shares of our common stock in lieu of cash consideration including 1,000,000 shares of common stock to Eng Cheh Hong and 2,000,000 shares of common stock to Robert Rashti who each beneficially own more than 5% of the outstanding shares of our common stock.

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

This Form 10-Q contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our:

- business strategy;
- financial strategy;
- intellectual property;
- production;
- future operating results; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

All statements, other than statements of historical fact included in this report, regarding our strategy, intellectual property, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this report. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. These statements may be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as in this report generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur.

Organizational History

OriginOil, Inc. ("we", "us", "our", the "Company" or "OriginOil") was incorporated on June 1, 2007 under the laws of the Stat of Nevada. We have only been engaged in our current and proposed business operations since June 2007, and to date, we have been primarily involved in research and development activities. Our principal offices are located at 5645 West Adams Blvd., Los Angeles, California 90016. Our telephone number is (323) 939-6645. Our website address is www.originoil.com. Our website and the information contained on our website are not incorporated into this quarterly report.

Overview of Business

We have developed a breakthrough water cleanup technology for the oil and gas, algae and other water-intensive industries.

Unlike other technologies, our patent-pending Electro Water Separation™ (EWS) process rapidly and efficiently removes organic material from large quantities of water without the need for chemicals.

EWS, our breakthrough water cleanup technology, is a high-speed, chemical-free process that efficiently extracts organic contaminants from very large quantities of water. It is the core technology powering OriginOil's innovative product line that spans multiple industries. These include:

Algae Harvesting

EWS is used cost-effectively to harvest algae, intact and bacteria-free, without chemicals, at a continuously high flow rate. Systems can be operated in parallel for increased throughput rates. Built-in intelligence ensures a minimum of operator intervention.

Oil and Gas Water Cleanup

When applied to the oil and gas industry, EWS technology is used in a continuous process to remove oils, suspended solids, insoluble organics and bacteria from produced and frac flowback water in well operations. This allows the water to be easily recycled for future fracking operations or disposed of safely.

Aquaculture Water Cleanup

EWS operates in a continuous, chemical-free loop to dramatically reduce ammonia levels, and kill up to 98% of bacteria and other invaders, potentially eliminating antibiotics usage. Optionally, it can produce nitrate-rich water to grow algae for highly nutritious and cost-effective fish feed.

Organic Waste Remediation (still in prototype phase)

In many applications, such as agriculture, fish farming and animal farming, EWS can efficiently remove organic contaminants and pathogens from incoming or outgoing water supplies.

Business Model for All Applications

At this early stage, to prove our systems for wide-scale distribution and licensing, we must build, sell and support our system to companies making use of such systems.

Our long-term business model is based on licensing this technology to distributors, manufacturers, engineering service firms, and specialty operators, as well as fuel refiners, chemical and oil companies. We are not in the business of producing and marketing oil or fuel as an end product, nor of engaging in volume manufacturing.

We have only been engaged in our current and proposed business operations since June 2007. While continuing to engage in research and development, we recently moved into the commercialization phase of our business plan.

Recent Developments

On January 8, 2014, we announced that we have agreed to supply our water management solutions to a new East Asian hydroponics venture backed by Orix Corp., Japan’s largest financial services and leasing company.

On January 21, 2014, we announced that Ennesys recently closed a funding round of 300,000 euros through Wicap Ennesys, a special vehicle created by French crowdfunding site Wiseed, multiplying our seed investment in the joint venture by thirty times.

On January 28, 2014, we announced that we will collaborate with Israel’s AquaGreen Fish Farms, Ltd to further streamline zero-discharge aquaculture systems for the production of chemical free seafood.

On February 11, 2014, we announced plans to open a satellite office in the Houston, Texas “Energy Corridor” to be headed by veteran Dow Chemical manager Bill Charneski who has been named general manager of our Petro unit and will divide his time between the Los Angeles headquarters and the new office.

On March 5, 2014, we announced that the National Algae Association (NAA) has selected our entry-level algae harvester for its model demonstration site, which features best-of-breed algae production systems in permanent operation.

On April 15, 2014, we announced that we recently agreed to a collaborative exchange of equipment and information with the Catalina Sea Ranch, the first offshore shellfish ranch in U.S. Federal waters.

On April 22, 2014, we announced a series of showcases to demonstrate the successful removal of frac flowback and produced water pollutants with the P1000 demonstration-scale unit. The roadshow will begin in May on Colorado’s Western Slope and continue on to Texas and California.

On April 30, 2014, we announced that weekly demonstrations of our algae harvesting process at Houston's National Algae Association (NAA) are popular draws for new algae producers now investing in commercial-scale algae production systems.

On May 7, 2014, we announced that we intend to pursue growth through acquisition of one or more service companies with proven ability to treat frac flowback and produced water in the oil and gas industry.

On May 14, 2014, we announced plans to launch a product line that can treat frack water from end to end. This product, CLEAN-FRAC™, is based on our P1000 platform, which is designed to process 1000 barrels per day of frac flowback and produced water.

Critical Accounting Policies

The Securities and Exchange Commission ("SEC") defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Not all of the accounting policies require management to make difficult, subjective or complex judgments or estimates. However, the following policies could be deemed to be critical within the SEC definition.

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Revenue Recognition

We recognize revenue when services are performed, and at the time of shipment of products, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the estimate of useful lives of property and equipment, the deferred tax valuation allowance, and the fair value of stock options, warrants, convertible notes and common stock for services. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value of financial instruments requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of March 31, 2014, the amounts reported for cash, prepaid expenses, accounts payable and accrued expenses approximate the fair value because of their short maturities.

Recently Issued Accounting Pronouncements

Management reviewed accounting pronouncements issued during the three months ended March 31, 2014, and no pronouncements believed by management to have a material impact on the Company’s present or future financial statements.

Results of Operation

Results of Operations for the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

Revenue and Cost of Sales

Revenue for the three months ended March 31, 2014 and 2013 was $159,410 and $0, respectively. Cost of sales for the three months ended March 31, 2014 and 2013 were $105,970 and $0, respectively. The increase in revenue and cost of sales for the current period was due to an increase in equipment sold and the related material supplies and contractor fees for equipment production.

To date we have had minimal revenues due to our focus on product development and testing. In addition, we are not focused on immediate sales of equipment but on licensing or private labeling type transactions, which we believe has the potential to yield stronger long term revenue.

Operating Expenses

Selling and General Administrative Expenses

Selling and general administrative (“SG&A”) expenses increased by $542,023 to $1,265,851 for the three months ended March 31, 2014, compared to $723,828 for the three months ended March 31, 2013. The increase in SG&A expenses was due primarily to an increase in investor relations and marketing of $377,347 of which $216,920 of the increase

was non-cash for shares issued for services, an increase in non-cash stock compensation expense of $29,253, professional fees of $57,033, outside services of $63,306, with an overall increase in SG&A of $15,084.

Research and Development Cost

Research and development ("R&D") cost increased by $34,072 to $246,847 for the three months ended March 31, 2014, compared to $212,775 for the three months ended March 31, 2013. The increase in overall R&D costs was primarily due to an increase in material supplies and testing for algae appliances and fracking research.

Other Income and (Expense)

Other income and (expense) increased by $1,061,605 to ($2,769,130) for the three months ended March 31, 2014, compared to ($1,707,525) for the three months ended March 31, 2013. The increase was the result of an increase in non-cash accounts associated with the fair value of the derivatives in the amount of $1,271,948 and an increase in interest expense of $154,197, offset by a decrease in commitment fees of $358,187 and a gain on investment of $6,353.

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Net Loss

Our net loss increased by $1,584,768 to $4,232,244 for the three months ended March 31, 2014, compared to a net loss of $2,647,476 for the three months ended March 31, 2014. The majority of the increase in net loss was due to an increase in other income and expenses in the amount of $1,061,605 and SG&A expenses of $542,023. Currently operating costs exceed revenue because sales are not yet sufficient to cover costs. We cannot assure of when or if revenue will exceed operating costs.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

The condensed financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying condensed financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. During the three months ended March 31, 2014, we did not generate significant revenue, incurred a net loss of $4,232,244 and cash used in operations of $1,159,896. As of March 31, 2014, we had a working capital deficiency of $4,152,689 and a shareholders' deficit of $4,069,807. These factors, among others raise substantial doubt about the Company's ability to continue as a going concern. Our independent auditors, in their report on our audited financial statements for the year ended December 31, 2013 expressed substantial doubt about our ability to continue as a going concern. The ability of us to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. We have obtained funds from our shareholders in the three months ended March 31, 2014, and have standing purchase orders and open invoices with customers. Management believes this funding will continue from our current investors and has also obtained funding from new investors. Management believes the existing shareholders, the prospective new investors and future revenue will provide the additional cash needed to meet our obligations as they become due, and will allow the development of our core business operations.

At March 31, 2014 and December 31, 2013, we had cash of $994,682 and $821,448, respectively and working capital deficit of $4,152,689 and $1,535,766, respectively. The increase in working capital deficit was due primarily to an increase in non-cash derivative liabilities, accounts receivable, work-in-process, and accounts payable, with a decrease in prepaid expenses, other assets, accrued expenses and deferred income.

During the first quarter of 2014, we raised an aggregate of $885,000 in an offering of unsecured convertible notes. Our ability to continue as a going concern is dependent upon raising capital from financing transactions and future revenue.

Net cash used in operating activities was $1,159,896 for the three months ended March 31, 2014, compared to $739,910 for the prior period ended March 31, 2013. The increase of $419,986 in cash used in operating activities was due to the net decrease in prepaid expenses, work in process, accounts payable and deferred income, with an increase in accounts receivable, accrued expenses, and net loss. Currently operating costs exceed revenue because sales are not yet significant.

Net cash flows used in investing activities was $1,870 for the three months ended March 31, 2014, as compared to $52,055 for the prior period ended March 31, 2013. The net decrease in cash used in investing activities was due to a decrease in patent expenditures and research equipment, with an increase in the purchase of fixed assets, and the

partial sale of an investment compared to the prior period.

Net cash flows provided by financing activities was $1,335,000 for the three months ended March 31, 2014, as compared to $542,533 for the prior period ended March 31, 2013. The increase in cash provided by financing activities was due to an increase in debt financing with the issuance of convertible notes. To date we have principally financed our operations through the sale of our common stock and the issuance of debt.

We do not have any material commitments for capital expenditures during the next twelve months. Although our proceeds from the issuance of convertible debt together with revenue from operations are currently sufficient to fund our operating expenses, we will need to raise additional funds in the future so that we can expand our operations. Therefore, our future operations are dependent on our ability to secure additional financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we may have to curtail our marketing and development plans and possibly cease our operations.

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We have estimated our current average burn, and believe that we have assets to ensure that we can function without liquidation over the next 9 months, due to our cash on hand, growing revenue, and our ability to raise money from our investor base. Based on the aforesaid, we believe we have the ability to continue our operations for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC’s rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer and Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 15d-15(b), our Chief Executive Officer and Chief Financial Officer carried out an evaluation under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-14 as of the end of the period covered by this report. Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure about our internal control over financial reporting.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information.

Management Restricted Stock Grant Awards

The following disclosure would have otherwise been filed on Form 8-K under the heading "Item 3.02 Unregistered Sales of Equity Securities" and "Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers":

As previously disclosed in our Form 8-K filed with the SEC on January 16, 2014, on January 10, 2014, our Board of Directors authorized the entering into of restricted stock grant agreements providing for the grant of an aggregate of 45,000,000 shares of common stock including 30,000,000 shares to T. Riggs Eckelberry, our Chief Executive Officer and Chairman, 7,500,000 shares to Nicholas Eckelberry, a co-founder and brother of T. Riggs Eckelberry, 3,750,000 shares to William Charneski, our General Manager, Petro Division and 3,750,000 shares to Jean-Louis Kindler, our Chief Commercial Officer and director. Prior to the issuance or vesting of any of the shares, each of the grantees mutually agreed with us to the termination of the restricted stock grant agreements. Subsequently, and as previously disclosed in our Annual Report on Form 10-K filed with the SEC on April 15, 2014, on April 9, 2014, our Board of Directors authorized the entering into of new restricted stock grant agreements (the "RSGAs") providing for the grant of an aggregate of 40,000,000 shares of common stock to certain officers and members of our management including 20,000,000 shares to T. Riggs Eckelberry, 7,500,000 shares to Nicholas Eckelberry, 4,200,000 shares to William Charneski and 5,000,000 shares to Jean-Louis Kindler. The purpose of the RSGAs was to create management incentives to improve our economic performance and to increase our value and stock price. All shares issuable under the RSGAs are performance shares and none have yet vested nor been issued.

On May 12, 2014, our Board of Directors authorized further amendments to the RSGAs providing for (i) the increase of the total size of the RSGA grants from 40,000,000 to 62,500,000, (ii) the increase of the size T. Riggs Eckelberry's grant from 20,000,000 to 40,000,000 and the increase of Mr. Eckelberry's lock up period from one year to three years after vesting and issuance, and (iii) the increase of the size of Nicholas Eckelberry's grant from 7,500,000 to 10,000,000. In addition, in view of the fact that the grantees of the restricted stock grants had not yet executed RSGAs, our Board of Directors authorized the replacement of the forms of RSGA for T. Riggs Eckelberry and all other grantees to reflect the amendments.

Copies of the forms of RSGAs for T. Riggs Eckelberry and all other grantees are attached hereto as Exhibits 10.1 and 10.2, respectively and incorporated herein by reference.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

Consultant Issuances

The following disclosure would have otherwise been filed on Form 8-K under the heading "Item 3.02 Unregistered Sales of Equity Securities":

Between April 17, 2014 and May 12, 2014, we entered into agreements for the issuance of an aggregate of 1,176,112 shares of our common stock in lieu of cash consideration including 1,000,000 shares of common stock to Robert Rashti, who beneficially owns more than 5% of our outstanding shares of common stock.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

Conversion of Notes

Between April 16, 2014 and May 12, 2014, holders of convertible promissory notes converted an aggregate principal and interest amount of $195,025 into an aggregate of 2,476,504 shares of our common stock.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act since, among other things, the transaction did not involve a public offering.

Make Good Issuances

In connection with a one-time make good agreement, on April 16, 2014, a holder of shares of our common stock submitted an exercise notice resulting in the issuance of 8,924 shares of our common stock.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act since, among other things, the transaction did not involve a public offering.

Warrant Exercises

On April 22, 2014, affiliates of Mr. Rashti, who beneficially own more than 5% of our outstanding shares of common stock, delivered notices of election to exercise warrants on a cash basis resulting in the issuance of an aggregate of 2,000,000 shares of our common stock for an aggregate purchase price of $300,000.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

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Item 6. Exhibits.

Exhibit Number	Description of Exhibit
10.1	Form of Restricted Stock Option Agreement (CEO)
10.2	Form of Restricted Stock Option Agreement (Senior Management other than CEO)
31	Certification by Chief Executive Officer and Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32	Certification by Chief Executive Officer and Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase.*
101.LAB	XBRL Taxonomy Extension Label Linkbase.*
101.PRE	XBRL Extension Presentation Linkbase.*

* Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 formatted in XBRL (eXtensible Business Reporting Language): (i) the Balance Sheets, (ii) the Statement of Operations, (iii) the Statement of Shareholders' Equity, (iv) the Statement of Cash Flow, and (v) Notes to Financial Statements.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORIGINOIL, INC.

By: /s/T Riggs Eckelberry
T Riggs Eckelberry
Chief Executive Officer (Principal Executive Officer)
and Acting Chief Financial Officer (Principal Accounting and Financial Officer)
May 15, 2014