

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission File Number: 000-53955

OMNITEK ENGINEERING CORP.

(Exact name of Registrant as specified in its charter)

California

(State or other Jurisdiction of Incorporation or Organization)

33-0984450

(IRS Employer Identification No.)

1333 Keystone Way, Suite 101, Vista, California

(Address of principal executive offices)

92081

(Zip Code)

Registrant's telephone number, including area code: **760-591-0089**

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, No Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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

Issuer's revenues for its most recent fiscal year: \$1,667,090

The aggregate market value of the voting and non-voting common equity on June 30, 2015 held by non-affiliates of the registrant based on the price last sold on such date was approximately \$10,210,049. Shares of common stock held by each officer and director and by each person who owns 10% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. Without acknowledging that any individual director of registrant is an affiliate, all directors have been included as affiliates with respect to shares owned by them.

As of March 29, 2016, there were 19,981,082 shares of the registrant's Common Stock outstanding.

OMNITEK ENGINEERING CORP.

Report on Form 10-K

PART I

Item 1.	Business	1
Item 1A.	Risk Factors	10
Item 2.	Properties	21
Item 3.	Legal Proceedings	22

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	23
Item 6.	Selected Financial Data	25
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	29
Item 8.	Financial Statements and Supplementary Data	30
Item 9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	46
Item 9A.	Changes and Procedures	46
Item 9B.	Other Information	47

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	47
Item 11.	Executive Compensation	51
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	54
Item 13.	Certain Relationships and Related Transactions, and Director Independence	56
Item 14.	Principal Accountant Fees and Services	56

PART IV

Item 15.	Exhibits	57
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FORWARD-LOOKING STATEMENTS

This report contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology like "believes," "anticipates," "expects," "estimates," "envisions," "plans," "projects" or similar terms. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations and those of our directors or officers with respect to, among other things: (i) trends affecting our financial condition or results of operations, (ii) our business and growth strategies, and (iii) our financing plans. You are cautioned that any forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the effect of inflation and other negative economic trends and developments on the business of our customers and other barriers, examples being government regulation and competition. All forward-looking statements attributable to us are expressly qualified in their entirety by this foregoing cautionary statement.

Unless otherwise noted, references in this report to the "Company," "Omnitek," "we," "our," or "us" means **Omnitek Engineering Corp.**

PART I

ITEM 1. BUSINESS

General Development of Business

Omnitek Engineering, Corp., a California corporation, began operations on October 10, 2001, and was a spin-off from Nology Engineering, Inc., a manufacturer in the automotive aftermarket parts industry and the developer/manufacturer of the patented "HotWires" spark plug wires. We currently conduct our business activities at our offices at 1333 Keystone Way, Suite 101, Vista, California, 92081, which consists of approximately 25,000 square feet of industrial space.

Omnitek has never filed for bankruptcy and has never been subject to receivership or similar proceedings.

Omnitek's common stock is currently trading on the OTC Bulletin Board ("OTCBB") marketplace under the symbol OMTK.

Financial Information

The audited financial statements for the fiscal year ended December 31, 2015 are attached hereto as Item 8 in this annual report.

Business of Issuer

Omnitek develops and sells proprietary diesel-to-natural gas engine conversion systems and complementary products, including new natural gas engines that utilize the Company's technology. Omnitek products are available for stationary applications (generator sets), the global transportation industry, which includes light commercial vehicles, minibuses, heavy-duty trucks, municipal buses, as well as rail and marine applications. The technology can be used for compressed natural gas ("CNG"), liquefied natural gas ("LNG"), or Biogas ("RNG").

As long as the prices for diesel fuel remains elevated, and the threat of climate change and air pollution remain a public concern, the search for cheaper and cleaner burning fuel alternatives becomes increasingly more important. Natural gas has emerged as an attractive option to address these challenges. Readily available in many countries from indigenous sources, natural gas is relatively inexpensive and clean burning compared with gasoline or diesel. We have developed a system that can be used to convert most diesel engines to be able to operate using natural gas at a cost lower than that required to purchase a new natural gas engine.

Engine conversions in the United States are subject to the U.S. Environmental Protection Agency ("EPA") approval and the cost for converting each engine model ranges from \$15,000 to \$35,000, depending on engine features, exclusive of the cost of the natural gas tank and labor. Engine conversions in certain foreign countries may require less sophisticated emission control components, resulting in substantially reduced costs ranging from \$3,000 to \$15,000, depending on the engine model and application, again exclusive of the fuel storage system and labor. During the past year, we have seen a shift in demand, from domestic to our international clients for engine conversions due primarily to lower oil prices. With the price disparity overseas between diesel and natural gas still a market driver, mostly as a result of higher taxes on diesel fuel, most of our business has been overseas. Additionally, we expect the 200-nation "Paris Agreement on Climate Change" to further increase demand for our technology, with foreign fleet conversions outpacing the domestic market until domestic oil prices begin to increase again. The Company believes it is well-positioned in both global and domestic markets to capitalize on the increasing awareness of environmental concerns, and believes it has a competitive advantage over new natural gas engines and other available technologies for the heavy-duty engine market.

In addition to the engine conversion cost, fleets also have to consider the cost of the natural gas storage tanks on the vehicle. This cost varies depending on the gas storage volume needed and the tank technology used, but can range from \$2,000 for a single tank system, up to \$50,000 for a multi-tank system for heavy-duty class 8 over the road trucks.

Omnitek can also deliver complete new natural gas engines when local emission standards, or other conditions, require the use of new engines.

(1) Principal Products or Services.

Omnitek offers four main product lines at this time.

A conversion kit for converting rich-burn natural gas engines to lean-burn;
A conversion kit for converting diesel engines to run on natural gas;
New complete natural gas engines; and,
Natural gas components

Conversion Kits (Rich-to-Lean Burn Natural Gas) - We offer conversion kits which convert rich burning natural gas engines to lean burning natural gas engines. The terms "rich-burn" and "lean-burn" refer to the air-to-fuel ratio under which an engine is operating. An engine which is operating under rich-burn conditions uses more fuel than an engine tuned to lean-burn. Therefore it is desirable to tune an engine to lean-burn, which supplies less fuel to the engine and reduces operating costs.

Conversion Kits (Diesel-to-Natural Gas) - Omnitek offers a solution to convert diesel engines to operate on natural gas. This diesel-to-natural gas engine conversion technology is the primary product offered by Omnitek. This product is packaged in kit form and is offered in two basic variations. One is designed to work on engines with a turbocharger and the other is designed to work on engines without a turbocharger. Both kits are comprised of up to 20 individual components depending on the particular engine specifications.

Diesel engines have a service life of up to 20 years and require regular engine overhauls. A diesel to natural gas conversion is not unlike an engine overhaul. Therefore, the Company's engine conversion system enables a fleet to "overhaul/convert" its diesel engines into natural gas engines during its normally scheduled engine overhaul, thereby reducing overall operating costs and emissions without losing needed performance and adding in additional costs.

Natural gas conversions offer fleet operators the opportunity to secure their investment and capitalize on the long-life of diesel engines.

On January 22, 2013, the EPA approved the Company's diesel-to-natural gas engine conversion technology for the widely operated line of heavy-duty Navistar DT466E and DT530E engines under the specific and rigorous criteria related to the agency's Outside Useful Life definition.

On June 9, 2014, the EPA approved the Company's diesel-to-natural gas engine conversion technology for the line of heavy-duty all Mack E7 electronic engines up to model year 2006. The Certificate of Conformity allows engine conversions to proceed in 49 States and covers 166 Mack E7 engine/model/power variations.

On September 11, 2014, the EPA provided a Certificate of Conformity applicable for diesel-to-natural gas conversions of the Detroit Diesel Series 60 engine families for model years 1988 to 2009. The Certificate of Conformity allows engine conversions to proceed in 49 States and covers the 11.1 liter, 12.7 liter, and 14.0 DD60S engine models.

On April 23, 2015, the EPA provided a Certificate of Conformity applicable for diesel-to-natural gas engine conversions of the popular Caterpillar C15 engine family for model years 1993 to 2006. The Certificate of Conformity allows engine conversions to proceed in 49 States and covers the Caterpillar 3406E, C15, C15 ACERT and C16 engine models.

In addition to the Conversion Kits, Omnitek sells the individual component replacement parts for the conversion kits. The high-pressure natural gas filter is our top-selling replacement part, which is also supplied to certain natural gas vehicle manufacturers as original equipment ("OEM").

The key to the success of our technology is performance and reliability, which is achieved using our patented fuel mixing device and our proprietary electronic control unit which senses engine parameters in real time and instantly makes fuel mixture adjustments to deliver the correct amount of fuel and the correct ignition timing.

Omnitek does not perform installation of the conversion kits directly, but rather trains dealers and sub-dealers around the world to perform the engine conversions using our conversion kits. It takes four to five days of training for a dealer or sub-dealer to become proficient to perform the engine conversion.

Most diesel engines can be converted by using one of our conversion kits, however, there is no assurance that diesel vehicle owners will elect to convert their diesel engines to operate on natural gas. Additionally, while the Company is not aware of any other company offering a similar engine conversion kit for heavy duty diesel engines at this time, one could be developed by a competitor and there are no guarantees that the owners of the engines would choose the Omnitek conversion kit to convert their engines.

New Natural Gas Engines - Under certain conditions it is not cost effective, or technologically feasible, to convert a diesel engine to operate on natural gas. Also, there are times when local emission standards may dictate the use of highly sophisticated technology that cannot be easily retrofitted to an older engine. Under those conditions, we can deliver a new purpose built natural gas engine.

Natural Gas Components – Omnitek supplies natural gas engine management components to OEM and aftermarket customers. The high-pressure natural gas filter is used by several OE vehicle manufacturers around the world.

(2) Markets

Worldwide

The Company has the ability to sell and deliver its products anywhere in the world through its distributors, engine manufacturers, system integrators, fleet operators, engine conversion companies and directly to end-users. The Company's conversion technology has been used to convert heavy-duty diesel engines to operate on natural gas worldwide since 2001 and has been successfully adapted to work with many different engine designs and configurations. Over 5,000 engines have been converted worldwide utilizing the Omnitek technology. Converted engines can be tuned to meet current emissions standards.

The majority of our markets can best be divided into two groups:

1. Countries not requiring compliance with emissions standards, or no standards are in place (therefore emissions certification is not necessary - shorter time to market); or,
2. Countries that require compliance with emissions standards (emissions certification is necessary - longer time to market and more costly).

Additionally, within both of those two market groups above, we can further segregate the marketplace into the following categories:

1. Countries that have to import diesel (crude oil) and natural gas; or,
2. Countries that have to import diesel (crude oil), but have their own supply of natural gas.

The governments of many countries with natural gas supplies mandate that businesses and government vehicles convert to use their domestic fuel supply.

Some governments offer incentives to convert fleets currently running on diesel, which is expected to increase demand in those regions.

We have in the past focused primarily on countries not requiring compliance with emissions standards. The development of engine conversion kits for sale in these markets is mostly completed. When a customer asks to have a conversion kit developed for a specific engine, we are compensated in advance.

When contacted, we approach the issue of "converting or replacing" high-polluting diesel engines by offering two main options, which in large part is influenced by the level of technological capabilities within the country, emission requirements, and financial feasibility.

The first option is focused on working with local companies in an effort to convert diesel engines to natural gas. Alternatively, we can supply new dedicated natural gas engines as a second option.

To achieve the conversions, we supply engineering support to rebuild and convert the engines locally. This offers an economic benefit to the local economy by keeping the rebuild work in the community. The engines are equipped with our technology, allowing for the engines to be tuned meeting the local emission standards.

In the second scenario, we would supply brand new low-polluting, natural gas engines. This may be a better option when the existing engines are based on old and outdated technology and/or strict emissions standards are in place.

United States

In the United States the installation and sale of our conversion systems for on-road applications is subject to regulations imposed by the U.S. Environmental Protection Agency ("EPA"), and with regard to sales and installations within the state of California, the State of California Air Resource Board ("CARB"). Receiving EPA certification allows Omnitek to install and sell its conversion systems in 48 states, excluding California and Maryland.

In 2011, the EPA announced new regulations applicable to certifying and converting diesel and gasoline engines to operate on natural gas. This was a milestone for the alternative fuel industry and a significant advancement in lessening the United States dependence on foreign oil. Converting diesel engines to operate on either liquefied natural gas or compressed natural gas provides an economical and environmental solution to new engine replacement. These new EPA regulations have made it possible for Omnitek to certify and convert diesel engines in a cost-effective manner and introduce the technology to the U.S. market.

Late in 2014 CARB posted final regulations and guidelines to certify and convert diesel engines to operate on natural gas. We are currently devising a plan for certifying engines for use in California.

On January 22, 2013, the EPA approved the Company's diesel-to-natural gas engine conversion system for the widely operated line of heavy-duty Navistar DT466E and DT530E engines under the specific and rigorous criteria related to the agency's Outside Useful Life definition. This certification allows Omnitek to install and sell its conversion systems in 48 states, excluding California and Maryland. The Navistar DT466E and DT530E engines were produced in approximately 130 different configurations from 1996 through 2003, representing an estimated addressable market of 1.5 million potential conversions.

On June 9, 2014, the EPA approved the Company's diesel-to-natural gas engine conversion technology for the line of heavy-duty all Mack E7 electronic engines up to model year 2006. The Certificate of Conformity allows engine conversions to proceed in 49 States, excluding California and Maryland, and covers 166 Mack E7 engine/model/power variations. The Mack E7 electronic engines produced from model year 1996 through 2006 represent an estimated addressable market of over 500,000 potential conversions.

On September 11, 2014, the EPA provided a Certificate of Conformity applicable for diesel-to-natural gas conversions of the Detroit Diesel Series 60 engine families for model years 1988 to 2009. The Certificate of Conformity allows engine conversions to proceed in 48 States, excluding California and Maryland, and covers 195 engine/model/power variations, including the 11.1 liter, 12.7 liter, and 14.0 DD60S engine models. The Detroit Diesel Series 60 engines produced from 1988 through 2009, representing an estimated addressable market of near one million potential conversions.

On April 23, 2015, the EPA provided a Certificate of Conformity applicable for diesel-to-natural gas engine conversions of the popular Caterpillar C15 engine family for model years 1993 to 2006. The Certificate of Conformity allows engine conversions to proceed in 49 States and covers the Caterpillar 3406E, C15, C15 ACERT and C16 engine models.

Industry observers believe that up to eight million heavy-duty vehicles in the U.S. could benefit from a conversion to natural gas. Replacing old diesel trucks with new natural gas-powered trucks is certainly an option, but it is much more expensive than engine conversions and natural gas engine manufacturers have very limited capacity and product offerings.

(3) Distribution Methods of the Products or Services.

Omnitek currently has distributors in more than 12 countries which market and distribute its products. The Company is continuously seeking additional global distribution partners to expand its distribution network. In certain markets, outside the United States, the Company competes against other companies with greater resources, more established distribution channels and other competitive advantages, and the success of these competitors may harm our ability to generate revenues. Please see the section entitled "Competition" below and also the relevant Risk Factors in ITEM 1A below.

Distribution Agreements. From time to time, Omnitek may enter into exclusive or non-exclusive distribution agreements with its dealers, distributors or authorized diesel-to-natural gas engine conversion kit installation centers ("AIC").

Internet. Our products, as well as information regarding new product introductions and company news, are available online at our website, www.omnitekcorp.com.

(4) Status of any publicly announced new product or service.

On January 27, 2015, the Company announced that its natural gas engine technology is being utilized in two TEDOM natural gas locomotive engines powering a Czech Railways train in a pilot program with scheduled service three times daily between the Czech cities of Opava and Hlučín. The low-emission dedicated natural gas engines from TEDOM are certified to the Euro5 EEV emissions standard. This pilot program was developed by the transport division of Vitkovice Machinery Group and the Czech Railway Research Institution in cooperation with engine manufacturer TEDOM s.r.o. Ltd., a long-time customer of Omnitek Engineering. The pilot program is seeking to demonstrate the economic, environmental and practical applications of CNG for rail transportation.

On February 9, 2015, we announced an order for a diesel-to-natural gas converted engine for a 225 kilowatt power generator from a multinational power solutions company, which is also the system integrator for an emergency backup power system being developed for a micro-grid project in the Northeast United States. The project was part of an initiative to address potential power outages at critical service locations during natural disasters -- particularly law enforcement, fire departments and other critical services.

On February 26, 2015, the Company announced it has received an order for a 12-cylinder, 600 kilowatt natural gas power generator to operate the NatGas Bernardo Quintana CNG fueling station in Queretaro, Mexico, with a capacity to serve an anticipated 200 CNG buses and 1,000 taxi vehicles per day. Cost benefits and the assurance of an uninterrupted source of electric power for fueling vehicles were cited as two primary factors in the decision to install our natural gas generator.

On April 2, 2015, we announced a follow-on order for 45 natural gas engine systems from the Czech Republic engine and bus manufacturer TEDOM s.r.o. LTD, the company's exclusive OEM customer in the region. The TEDOM 12-liter engine equipped with the Omnitek system, certified to meet the Euro VI emission standards tested according to the World Harmonized Transient Cycle, opens a vast market as the Euro VI emission standards are fully implemented in 2015 in many countries around the world.

On April 23, 2015, the Company announced it has received a Certificate of Conformity from the EPA applicable for diesel-to-natural gas engine conversions of the popular Caterpillar C15 engine family for model years 1993 to 2006. The Certificate of Conformity allows engine conversions to proceed in 49 States and includes the Caterpillar 3406E, C15, C15 ACERT and C16 engine models. We will be able to offer 100 percent dyno-tested "drop-in" ready converted engines, configured for quick installation. An assembly line engine remanufacturing/conversion process will assure that engines are in "as new" condition with the highest quality and uniformity. We anticipate drayage trucks will comprise a large portion of the company's Caterpillar diesel-to-natural gas engine conversion business.

On June 3, 2015, we announced our exclusive distributor in Turkey, Teknosis, expanded its strategic position in that country through a collaborative alliance with natural gas infrastructure company Naturelgaz and Hayat Inovasyon, a subsidiary of Hayat Holding, the seventh largest conglomerate in Europe, with a near-term goal to accelerate the utilization of natural gas engines for heavy-duty truck applications and municipal buses.

On August 6, 2015, the Company announced that a 12-liter natural gas engine manufactured by TEDOM s.r.o. Ltd. and equipped with Omnitek's proprietary natural gas engine management system received EURO 6 emissions certification. TEDOM, an engine and bus manufacturer based in the Czech Republic, is the company's exclusive OEM customer in the region.

On August 31, 2015, we announced that our exclusive distributor in Turkey, Teknosis, is now operating under the name Omnitek Turkiye, as it accelerates sales and marketing of diesel-to-natural gas engine conversions for heavy-duty trucks and municipal buses throughout the country. Omnitek Turkiye's R&D Center is now fully operational and focused on developing conversion kits for an expanding line of specific engine models operating in the Turkish market.

Throughout the year, the Company supplied its existing OE customers as well as its Dealers and Distributors around the world with conversion kits and components. TATA Motors of India has retained Omnitek as its OE supplier for of its high-pressure natural gas filter.

(5) Competitive business conditions and the Company's competitive position in the industry and methods of competition.

We believe our products have many important advantages, some of which are performance, ease of use, and lower cost. We compete in a small segment of the transportation and energy arena. Most of the larger multinational corporations do not offer a complete solution for the markets the Company services. We believe that competition in these markets is principally based on the quality of the product, performance, reliability, service, deliverability, and price. Because of the Company's limited financial resources, Omnitek could be at a competitive disadvantage compared to most other suppliers of competitive products and services outside the United States.

Competition - Diesel-to-Natural Gas Engine Conversions.

The Company encounters competing products in countries where no emission standards are enforced, and where carbureted systems are still being used such as China, India, Bangladesh, Peru and others. These systems can be used to convert low power diesel engines found in these countries. When converting emissions controlled high power engines, as found in the USA and Western Europe, a fuel injection system, like the Omnitek system, must be used.

As of today, the Company is not aware of any direct competitors to its diesel-to-natural gas engine conversion technology for high-power heavy-duty diesel engines required to meet US EPA or CARB emissions standards. Suppliers like Fuel Systems Solutions, Bosch and Keihin supply mainly original equipment engine manufacturers and do not offer complete systems to convert diesel engines to natural gas. Cummins offers new natural gas engines, not engine conversion systems.

There are numerous companies, such as BRC, Landrenzo, Tartarini, OMVL, Tomasetto, supplying natural gas components for use on gasoline cars and small trucks. These technologies have been on the market for many years and millions of vehicles have been converted worldwide using these technologies. However, this technology is not suitable for heavy-duty diesel engines, and is not in direct competition with Omnitek's technology. At this time Omnitek is not planning to compete in the small-engine market.

Competition - Dual Fuel Technology

The dual fuel technology, where natural gas is mixed with diesel and both fuels are used at the same time, offers low-money savings potential and is not considered a competing technology.

Competition - New Natural Gas Engines

Under certain conditions it is not cost effective, or technologically feasible, to convert a diesel engine to operate on natural gas. Emission standards sometimes dictate the use of highly sophisticated technology that cannot be easily retrofit onto an engine. For those situations, Omnitek offers purpose built new natural gas engines which can be used in buses, trucks, generators and other stationary applications.

As of the time of this report there are a very limited number of new natural gas engine suppliers. In the United States only Cummins offers EPA certified natural gas engines. We believe that additional competitors will emerge as this market matures.

(6) Sources and availability of raw materials and the names of the Principal Suppliers.

Omnitek does not utilize any specialized raw materials. We rely on nonaffiliated suppliers for various standard and customized components and on manufacturers of assemblies that are incorporated into our products. We do not have long-term supply or manufacturing agreements with suppliers and manufacturers. In some instances alternative sources may be limited. If these suppliers or manufacturers experience financial, operational, manufacturing capacity, or quality assurance difficulties, or cease production and sale of such products, or if there is any other disruption in our relationships with these suppliers or manufacturers, we will be required to locate alternative sources of supply. Our inability to obtain sufficient quantities of these components, if and as required in the future, may subject us to:

delays in delivery or shortages in components that could interrupt and delay manufacturing and result in cancellations of orders for our products;
increased component prices and supply delays as we establish alternative suppliers; inability to develop alternative sources for product components;
required modifications of our products, which may cause delays in product shipments, increased manufacturing costs, and increased product prices; and,
increased inventory costs as we hold more inventory than we otherwise might in order to avoid problems from shortages or discontinuance, which may result in write-offs if we are unable to use all such products in the future.

During the year ended December 31, 2015, five suppliers accounted for 34% of products purchased compared with the year ended December 31, 2014, where four suppliers accounted for 42% of products purchased.

See Risk Factors Item *"Dependence on a limited number of qualified suppliers of components and equipment could lead to delays, lost revenue or increased costs."*

(7) Dependence on one or few major customers.

The Company believes that the diversity of the product line offered alleviates the dependence on any customer. Through a widespread use of our product line, Omnitek is striving to develop a wide base of customers. During the year ended December 31, 2015, eight customers accounted for approximately 58% of sales compared with the year ended December 31, 2014, where eight customers accounted for approximately 56% of sales.

(8) Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including duration.

Omnitek holds the following Patents and Trademarks:

US Patents:

REG NO.	TITLE	FILING DATE	JURISDICTION
6,374,816	Apparatus and Method for Combustion Initiation	04/23/2001	United States
7,019,626	Multi-fuel Engine Conversion System and Method	03/03/2005	United States
7,426,920	Fuel Mixer Apparatus and Method	06/06/2007	United States

Trademarks:

MARK	REG. NO	CLASS	REG. DATE	OWNER	JURISDICTION
Omnitek	2811269	40	2/3/2004	Omnitek	United States
Omnitek	4525678	12	5/6/2014	Omnitek	United States
Omnitek	4525690	7	5/6/2014	Omnitek	United States

The protection of proprietary rights relating to Omnitek's products and expertise is critical for our business. We intend to file additional patent applications to protect certain technology and improvements considered important to the development of our business. The Company also intends to rely upon trade secrets, know-how, continuing technological innovation and licensing opportunities to develop and maintain our competitive position.

Although the Company intends to seek patent protection for its proprietary technology and products in the United States and in foreign countries, the patent positions of our products, are generally uncertain and involve complex legal and factual questions. Consequently, we do not know whether any of the patent applications that we have and will consider filing will result in the issuance of any patents, or whether such patent applications will be circumvented or invalidated. There can be no assurance that all United States patents that may pose a risk of infringement can or will be identified. Additionally, Omnitek has not sought to identify foreign patent applications that might affect existing patent applications currently on file with the United States Patent and Trademark Office. If we are unable to obtain licenses where we may have infringed on other patents, we could encounter delays in product market introductions while attempting to design around such intellectual property rights, or we could find that the development, manufacture or sale of products requiring such licenses could be prevented. In addition, we could incur substantial costs in defending suits brought against it on such intellectual property rights or prosecuting suits, which the Company brings against other parties to protect its intellectual property rights. Competitors or potential competitors may have filed applications for, or have received patents and may obtain additional patents and proprietary rights relating to, compounds or processes competitive with those of Omnitek. See number 5 above, "Competitive business conditions and the Company's competitive position in the industry and methods of competition."

The Company relies on certain patented and unpatented trade secrets for a significant part of its intellectual property rights, and there can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques, or otherwise gain access to our trade secrets or disclose such technology, or that Omnitek can meaningfully protect its rights to its unpatented trade secrets. We intend to require each of our employees, consultants and advisors to execute confidentiality agreements either upon the commencement of an employment or consulting relationship with Omnitek or at a later time. There can be no assurance, however, that these agreements will provide meaningful protection for Omnitek's trade secrets in the event of unauthorized use or disclosure of such information.

We do not believe that any of our products or other proprietary rights infringe upon the rights of third parties. However, it cannot assure that others may not assert infringement claims against Omnitek in the future and recognize that any such assertion may require us to incur legal and other defense costs, enter into compromise royalty arrangements, or terminate the use of some technologies. Further, we may be required to incur legal and other costs to protect its proprietary rights against infringement by third parties.

Licenses and Royalty Agreements

We have not entered into any license and royalty agreements which have resulted in royalty payments.

Other Agreements

As part of the build-out of the U.S. and international dealer network, the Company has entered into agreements with various companies in the USA and foreign countries.

(9) Need of any governmental approval of principal products or services.

Our products are presently sold to commercial users. As stated above, our conversion technology as applied in the United States is subject to approval from the EPA as well as certain state agencies such as CARB with regard to sales and installations within California.

Products and conversion systems that receive EPA certification can be installed and sold in 48 states, but not California and Maryland.

Late in 2014, CARB posted final regulations and guidelines to certify and convert diesel engines to operate on natural gas. Omnitek is currently devising a plan for certifying converted engine for use in California.

Currently Omnitek has received EPA approval and certification for our diesel-to-natural gas conversion technology for the heavy-duty Navistar DT466E and DT530E, all Mack E7 electronic engines up to model year 2006, the Detroit Diesel Series 60 engine families for model years 1988 to 2009, and the Caterpillar C15 engine families for model years 1993 to 2006.

Omnitek is and will continue to apply for approval and certification of additional engines. Each kit development and certification will cost up to \$125,000.

(10) Effect of existing or probable governmental regulations on the business.

See item number 9, immediately above, for a discussion of EPA and CARB regulation.

Omnitek is subject to the requirements of Regulation 13A under the Exchange Act, which require us to file with the Securities and Exchange Commission (the "Commission"), annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all other obligations of the Exchange Act applicable to issuers with stock registered pursuant to Section 12(g). We are also subject to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "1934 Act"), which regulates proxy solicitations.

Management believes that these reporting obligations increase the Company's annual legal and accounting costs by an estimated \$30,000 and \$27,000, respectively.

Other than as set forth above, we are not aware of any other governmental regulations now in existence or that may arise in the future that would have an effect on our business.

(11) Research and Development.

Research and development expenditures for the last two fiscal years, 2015 and 2014, were \$295,190 and \$600,091 respectively, and were comprised of charges for engine certification testing, purchase of equipment and parts for R&D, and the cost of personnel in the development of products and services.

In some cases, a customer will send an engine to our location and pay to have a conversion kit developed for a specific engine and/or application. In this case, we require an up-front payment from the customer.

Omnitek, depending on demand, may develop additional conversion kits for the U.S. market. The cost of developing each kit and completing the required certification can cost up to \$125,000 per engine model.

(12) Costs and effects of compliance with environmental laws.

Except as discussed above in item number 9, our business activities are not subject to any environmental laws and we do not anticipate that our future business activities will subject the Company to any environmental compliance regulations.

(13) **Number of total employees and number of full-time employees.**

As of the date of this report, we employ a total of 11 persons, all of which are full-time employees, and one part-time employee. These full-time employees include, Werner Funk and Richard Miller who are also officers, and in the case of Mr. Funk a director, of Omnitek. We believe we have a good working relationship with our employees, who are not represented by a collective bargaining organization, and there no organized labor agreements or union agreements between Omnitek and any employees exist.

We are outsourcing certain services that are not proprietary in nature. We intend to continue to use the services of independent consultants and contractors to perform various professional services. We believe that this use of third-party service providers will enhance our ability to contain general and administrative expenses.

Reports to Security Holders

The public may read and copy any materials the Company files with the SEC at the SEC's public reference room at 100 F Street, NE, Washington D.C. 20549, on official business days during the hours of 10 a.m. to 3 p.m. Eastern Time. Information may be obtained on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Moreover, we maintain a website at <http://www.omnitekcorp.com> that contains important information about Omnitek. This information is publicly available and is updated regularly.

ITEM 1A. RISK FACTORS

FORWARD-LOOKING STATEMENTS

This report contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology like "believes," "anticipates," "expects," "estimates," "envision" or similar terms. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations and those of our directors or officers with respect to, among other things: (i) trends affecting our financial condition or results of operations, (ii) our business and growth strategies, and (iii) our financing plans. You are cautioned that any forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the effect of inflation and other negative economic trends and developments on the business of our customers and other barriers, government regulation and competition. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement.

An overall economic downturn could negatively impact our earnings.

Any weakening of economic activity in our markets could result in a loss of customers, which could adversely affect our revenues or restrict our future growth. It may become more difficult for customers to pay their bills, leading to slow collections and higher-than-normal levels of accounts receivable. This could increase our financing requirements and bad debt expense. The foregoing could negatively affect earnings and liquidity, reducing our ability to grow the business.

Increases in the wholesale price of natural gas could reduce our earnings.

A supply and demand imbalance in natural gas markets could cause an increase in the price of natural gas. Recently, the increased production of U.S. shale natural gas has put downward pressure on the wholesale cost of natural gas; accordingly, restrictions or regulations on shale gas production could cause natural gas prices to increase. Additionally, the Commodity Futures Trading Commission (CFTC) under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act has regulatory authority of the over-the-counter derivatives markets. Regulations affecting derivatives could increase the price of the gas supply. Therefore, significant increases in the price of natural gas may cause our existing customers to switch to alternate sources of energy.

Climate change, carbon neutral or energy efficiency legislation or regulations could restrict our market opportunities, negatively affecting our growth, cash flows and earnings.

The federal and/or state governments may enact legislation or regulations that attempt to control or limit greenhouse gas emissions such as carbon dioxide and methane. Such laws or regulations could impose costs tied to carbon emissions, operational requirements or restrictions, or additional charges to fund energy efficiency activities. They could also provide a cost advantage to alternative energy sources, impose costs or restrictions on end users of natural gas, or result in other costs or requirements. The focus on climate change could negatively impact the reputation of fossil fuel products or services. The occurrence of these events could put upward pressure on the cost of natural gas relative to other energy sources, reduce the demand for natural gas, negatively affecting our growth opportunities, cash flows and earnings.

We are subject to physical and financial risks associated with climate change.

Climate change can create physical and financial risk and impact a region's economic health, which could impact our revenues. The cost of additional regulatory requirements, such as regulation of CO₂ emissions under section 111(d) of the CAA, or additional environmental regulation could impact the prices charged by natural gas suppliers.

A downturn in the trucking industry or other factors negatively affecting any of our customers could materially adversely impact our results of operations.

If the North American or worldwide trucking markets suffer a significant downturn it would likely lead to significant reductions in our revenues and earnings, commercial disputes, receivable collection issues, and other negative consequences that could have a material adverse impact on our results of operations.

Unpredictability in the adoption, implementation and enforcement of increasingly stringent emission standards by multiple jurisdictions around the world could adversely affect our business.

Our engines and certain components are subject to extensive statutory and regulatory requirements imposed by the U.S. EPA, the European Union, state regulatory agencies, such as CARB, and other regulatory agencies around the world. We have made, and will be required to continue to make, significant expenditures to comply with these regulations and emission standards. Developing engines and components to meet numerous changing government regulatory requirements, with different implementation timelines and emission requirements, makes developing engines efficiently for multiple markets complicated and could result in substantial additional costs that may be difficult to recover in certain markets. In some cases, we may be required to develop new products to comply with new regulations, particularly those relating to air emissions. While we have met previous deadlines, our ability to comply with other existing and future regulatory standards will be essential for us to maintain our position in the engine markets we serve. The successful development and introduction of new and enhanced products in order to comply with new regulatory requirements are subject to other risks, such as delays in product development, cost over-runs and unanticipated technical and manufacturing difficulties.

In addition to these risks, the nature and timing of government implementation and enforcement of increasingly stringent emission standards in emerging markets are unpredictable and subject to change. Any delays in implementation or enforcement could result in the products we developed or modified to comply with these standards becoming unnecessary or becoming necessary later than expected thereby, in some cases, negating our competitive advantage. This in turn can delay, diminish or eliminate the expected return on capital and research expenditures that we have invested in such products and may adversely affect our perceived competitive advantage in being an early, advanced developer of compliant engines.

We are exposed to risks arising from the price and availability of energy.

The level of demand for our products and services is influenced in multiple ways by the price and availability of energy. High energy costs generally drive greater demand for better fuel economy in almost all countries in which we operate. Some of our engine products have been developed with a primary purpose of offering fuel economy improvements, and if energy costs decrease or increase less than expected, demand for these products may likewise decrease. The relative unavailability of electricity in some emerging market countries also influences demand for our electricity generating products, such as our natural gas generators. If these countries add energy capacity by expanding their power grids at a rate equal to or faster than the growth in demand for energy, the demand for our products could also decrease or increase less than would otherwise be the case.

The market for alternative fuel conversion systems may not continue to develop according to our expectations and, as a result, our business may not grow as planned and our business plan may be adversely affected.

Our future growth is dependent upon the expanding market for efficient and clean burning alternative fuel engines and engine conversion systems, including natural gas and propane. Part of our business plan is dependent on our market forecasts with respect to this trend. However, there can be no assurance that we can accurately predict the potential impact of new diesel emission regulations and the price of diesel, which we assume will help drive this trend, nor can we assure that customers or potential customers would replace their diesel engines with natural gas or propane powered engines in response to these regulations. In addition, to the extent that diesel power system manufacturers develop the ability to design and produce emission-compliant diesel power systems that are emissions compliant and that they can sell at a lower price than we currently expect, diesel power systems could be more competitive than our alternative fuel power systems, and customers and potential customers may be less likely to transition their vehicle fleet to an alternative fuel. Furthermore, even if fleets adopt alternative fuel power systems, there can be no assurance that our power systems would capture any portion of the potential market. If any market which represent a significant portion of our business or in which we anticipate significant growth opportunities for our power systems, fails to develop or develops more slowly than we anticipate, the growth of our business and our business plan could be materially adversely affected.

New products, including new engines we develop, may not achieve widespread adoption.

Our growth may depend on our ability to develop and/or acquire new products, and/or refine our existing products and conversion system technology, to complement and enhance the breadth of our conversion system offerings with respect to engine class and the industrial market categories into which we supply our products. We will generally seek to develop or acquire new products, or enhance our existing products and conversion system technology, if we believe they will provide significant additional revenues and favorable profit margins. However, we cannot know beforehand whether any new or enhanced products will successfully penetrate our target markets. There can be no assurance that newly developed or acquired products will perform as well as we expect, or that such products will gain widespread adoption among our customers.

Additionally, there are greater design and operational risks associated with new products. The inability of our suppliers to produce technologically sophisticated components for our new and/or repurposed engines and conversion systems, the discovery of any product or process defects or failures associated with production of any new products and any related product returns could each have a material adverse effect on our business, financial condition and results of operations. If new products for which we expend significant resources to develop or acquire are not successful, our business could be adversely affected.

Changes in environmental and regulatory policies could hurt the market for our products.

Our business is affected by environmental policies, mandates and regulations around the world, most significantly with respect to emission standards in the United States. Examples of such regulations include those that (1) restrict the sale of conversion systems that do not meet emission standards, (2) impose penalties on sellers of non-compliant systems. There can be no assurance that these policies, mandates and regulations will be continued or expanded as assumed in our growth strategy. Incumbent industry participants with a vested interest in gasoline and diesel, many of which have substantially greater resources than we do, may invest significant resources in an effort to influence environmental regulations in ways that delay or repeal requirements for more stringent emissions.

We generally must obtain product certification from the EU, EPA and/or CARB to sell our products in Europe or the United States. Accordingly, future sales of our product will depend upon their being certified to meet the existing and future standards imposed by the relevant regulatory agencies. While we incur significant research and developments costs to ensure that our products comply with emission standards and meet certification requirements in the regions where our products are sold, we cannot provide assurance that our products will continue to meet these standards. The failure to comply with certification requirements would not only adversely affect future sales but could result in the recall of our products or civil or criminal penalties.

The adoption of new, more stringent and burdensome government emission regulations, whether at the foreign, federal, state, or local level, in markets in which we supply our conversion systems, may require modification of our emission certification and other manufacturing processes for our conversion systems. Thus, we might incur unanticipated expenses in meeting future compliance requirements, and may be required to increase our research and product development expenditures. Increases in such costs and expenses could necessitate increases in the prices we charge our customers for our conversion systems, which could adversely affect demand for them.

We maintain a significant investment in inventory, and a decline in our customers' purchases could lead to a decline in our sales and profitability and cause us to accumulate excess inventory.

We cannot always predict the timing, frequency or size of customer orders. Our ability to accurately forecast our sales is further complicated by the continuing global economic uncertainty. We maintain significant inventories in an effort to ensure that our customers have a reliable source of supply. If we fail to anticipate the changing needs of our customers and accurately forecast our customer demands, our customers may not continue to place orders with us, and we may accumulate significant inventories of products that we will be unable to sell or return to our suppliers. This may result in a significant decline in the value of our inventory and a decrease in our future gross profit.

Our financial position, results of operations and cash flows have been, and may in the future be, negatively impacted by challenging global economic conditions.

Challenging global economic conditions, which can have a particularly severe impact on industrial markets, have had, and may in the future have, a material adverse effect on our business. Difficult market conditions can also cause us to experience pricing pressure, negatively impacting our margins.

Future economic downturns may materially impact our customers, as well as suppliers and other parties with which we do business. Economic conditions that adversely affect our customers may cause them to terminate existing supply agreements or to reduce the volume of conversion systems they purchase from us in the future. In the case of another economic downturn, we may have significant receivables owing from customers that face liquidity issues. Failure to collect a significant portion of amounts due on those receivables could have a material adverse effect on our results of operations and financial condition. Similarly, with adverse market conditions, our key suppliers from which we source conversion system components may be unable to provide components to us or extend us credit. Furthermore, we may not be able to successfully anticipate, plan for and respond to changing economic conditions, and our business could be negatively affected.

Fuel price differentials are hard to predict and may have an adverse impact on the demand for our products in the future.

The prices of various fuel alternatives are subject to fluctuation, based upon many factors, including changes in resource bases, pipeline transportation capacity for natural gas, refining capacity for crude oil and government excise and fuel tax policies. The price differential among various fuel alternatives can impact customers and their decisions to buy conversion systems from us. For example, if natural gas prices increase significantly, or diesel prices decrease, customers may choose to not convert at that time.

The volatility of oil and gas prices may affect our stock price.

The investing public may categorize our stock with other fuel or alternative energy stocks, thus the volatility of the price of oil and gas may affect the price of our stock. In particular, when the price of oil declines, diesel becomes a more favorable fuel in the short term and natural gas suffers as a result. This, as with any commodity volatility, will occur from time to time and may adversely affect the price of our stock.

Many of our conversion systems involve long and variable design and sales cycles, which could have a negative impact on our results of operations for any given quarter or year.

The design and sales cycle for our customized conversion systems, from conception to commercialization, may be lengthy. Customers generally consider a wide range of issues before making a decision to purchase our conversion systems. Before an industrial customer commits to purchase our conversion systems, they often require a significant technical review, assessment of competitive products and approval at a number of management levels within their organization. During the time our customers are evaluating our products, we may incur substantial sales and marketing, engineering and research and development expenses to customize our conversion systems to the customer's needs. We may also expend significant management efforts, increase manufacturing capacity, order long-lead-time components or purchase significant amounts of conversion system components and other inventory prior to receiving an order. Even after this evaluation process, a potential customer may not purchase our products.

We could suffer warranty claims or be subject to product liability claims, both of which could materially and adversely affect our business.

From time to time, we may incur liabilities for warranty claims as a result of defective products or components, including claims arising from defective products or components provided by our suppliers that are integrated into our conversion systems. The provisions we make for warranty accrual may not be sufficient or we may be unable to rely on a warranty provided by a third-party manufacturer, and we may recognize additional expenses as a result of warranty claims in excess of our current expectations. Such warranty claims may necessitate a redesign, re-specification, a change in manufacturing processes, and/or recall of our conversion systems, which could have an adverse impact on our finances and on existing or future sales of our conversion systems and other products. Even in the absence of any warranty claims, a product deficiency such as a manufacturing defect or a safety issue may necessitate a product recall, which could have an adverse impact on our finances and on existing or future sales.

Our business exposes us to potential product liability claims that are inherent to natural gas, propane, gasoline and diesel, and products that use these fuels. All fuels are flammable and are dangerous products. Any accidents involving our conversion systems could materially impede widespread market acceptance and demand for our conversion systems. In addition, we may be subject to a claim by end-users of our products, or others, alleging that they have suffered property damage, personal injury or death because our conversion systems or the products of our customers into which our conversion systems are integrated did not perform adequately. Such a claim could be made whether or not our conversion systems perform adequately under the circumstances. From time to time, we may be subject to product liability claims in the ordinary course of business, and we carry a limited amount of product liability insurance for this purpose. However, our current insurance policies may not provide sufficient or any coverage for such claims, and we cannot predict whether we will be able to maintain our insurance coverage on commercially acceptable terms.

If we do not properly manage the sales of our products into foreign markets, our business could suffer.

We have sales and distribution activities in many foreign countries where we lack sufficient expertise and knowledge of local customs and laws. There can be no assurance that we will be able to maintain our current relationship with these foreign customers, or that we will be able to develop effective, similar relationships in foreign markets into which we supply our products in the future.

Growing the market for our products outside of the United States may take longer and cost more to develop than we anticipate and is subject to inherent risks, including unexpected changes in government policies, trade barriers restricting our ability to sell our products in those countries, longer payment cycles, exposure to currency fluctuations, and foreign exchange controls that restrict or prohibit repatriation of funds. As a result, if we do not properly manage foreign sales, our business could suffer.

In addition, our foreign sales subject us to numerous stringent U.S. and foreign laws, including the Foreign Corrupt Practices Act ("FCPA"), and comparable foreign laws and regulations which prohibit improper payments or offers of payments to foreign governments and their officials and political parties by us and other business entities for the purpose of obtaining or retaining business. Safeguards that we may implement to discourage these practices could prove to be ineffective, and violations of the FCPA and other laws may result in severe criminal or civil sanctions, or other liabilities or proceedings against us, including class action lawsuits and enforcement actions from the SEC, Department of Justice and overseas regulators. Any of these factors, or any other international factors, could impair our ability to effectively sell our conversion systems, or other products or services that we may develop, outside of the U.S.

The price of our stock may be volatile and may decline in value.

The trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, including the price of oil and gas or other fuel sources, some of which are beyond our control. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with securities traded in those markets. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Business, political and economic factors may affect our operations, the manner in which we conduct our business and our rate of growth.

If the US economic condition does not improve, our target consumer base may be disproportionately affected. In addition, a large proportion of our target customers work in industries that may be disproportionately affected by a downturn in the U.S. economy. The resulting impact of such economic conditions on our customers and on consumer spending could have a material adverse effect on demand for our products and on our business, financial condition and operating results.

Our performance is influenced by a variety of economic, social, political factors

Our performance is influenced by a variety of economic, social, and political factors. Economic uncertainty, unfavorable employment levels, declines in consumer confidence, increases in consumer debt levels, increased commodity prices, and other economic factors may affect our customer spending on Omnitek products and adversely affect the demand for our products. Economic conditions also affect governmental political and budgetary policies. As a result, economic conditions can have an effect on the sale of our products to our customers.

A global economic crisis could result in decreases in customer spending

Omnitek operates 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 could encounter competition from well-established and larger technology providers. Many of these competitors have substantially greater financial, marketing and other resources than Omnitek. Our revenue could be materially adversely affected if it is unable to compete successfully with these other providers.

There is uncertainty relating to the ability of the company to enforce its rights under certain dealer agreements

Many of the dealer agreements are with foreign entities and are governed by the laws of foreign jurisdictions. If a dealer breaches a dealer agreement, Omnitek will incur the additional costs of determining its rights and obligations under the agreement, under applicable foreign laws, and enforcing the agreement in a foreign jurisdiction. Many of the jurisdictions to which dealer agreements are subject do not have sophisticated and/or impartial legal systems and we may face practical difficulties in enforcing any of its rights in such jurisdictions. Omnitek may not be able to enforce such rights or may determine that it would be too costly to enforce such rights. In addition, some of the dealer 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 a dealer agreement and the related arbitration provision was not effective, Omnitek would be exposed to the additional costs of settling the dispute through traditional legal avenues rather than through an arbitration process.

The Company may be subject to other third-party intellectual property rights claims

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 competition in the industry increases, the possibility of intellectual property rights claims against Omnitek may grow. Omnitek's technologies may not be able to withstand third-party claims or rights against their use. Intellectual property claims, whether having merit or otherwise, could be time consuming and expensive to litigate or settle and could divert management resources and attention. In addition, many of Omnitek's agreements require that Omnitek indemnify them for third-party intellectual property infringement claims, which could increase Omnitek's costs as a result of defending such claims and may require that Omnitek pay the damages if there were an adverse ruling in any such claims. If litigation is successfully brought by a third party against Omnitek in respect of intellectual property, Omnitek 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, Omnitek may be unable to obtain the intellectual property at any price, which could also adversely affect our competitive position. An adverse determination could also prevent Omnitek from offering its products. Any of these results could harm our business, financial condition and results of operations.

The Company is subject to foreign business, political and economic disruption risks

Omnitek contracts with various entities from around the world. As a result, we are exposed to foreign business, political and economic risks, which could adversely affect our financial position and results of operations, including:

- difficulties in managing dealer relationships from outside of a dealer's jurisdiction;
- political and economic instability;
- less developed infrastructures in newly industrializing countries;
- susceptibility to business interruption in foreign areas due to war, terrorist attacks, medical epidemics, changes in political regimes, and general interest rate and currency instability;
- exposure to possible litigation or claims in foreign jurisdictions; and,
- competition from foreign-based providers and the existence of protectionist laws and business practices that favor such providers.

Early stage of the Company and its products

Omnitek has generated limited revenue from operations, and may not generate any significant or sufficient revenue from its current operations to continue future operations. A very limited number of our products are currently in the marketplace. However, to achieve profitable operations, Omnitek, alone or with others, must successfully initiate and maintain sales and distribution of our products. The time frame necessary to achieve market success for any individual product is uncertain. There can be no assurance that Omnitek's efforts will be successful, that any of our products will prove to meet the anticipated levels of approval or effectiveness, or that we will be able to obtain and sustain customer as well as distribution approval.

Omnitek's results can also be affected by the ability of competition to introduce new products that have advantageous technology or the competition's ability to adjust its pricing to reduce our competitive advantage. Results can also be affected by strategic decisions made by the management regarding product volume, mix, and by the timing of orders received during operations. See Item 1 "Description of Business."

Uncertainty of future profitability

Omnitek may require substantial resources to increase its advertising, marketing and distribution of its existing products. While we believe that the additional advertising, marketing and distribution could further enhance our profitability, there can be no assurance that Omnitek's products will meet the expectations and effectiveness required to be competitive in the market place, that Omnitek will enter into arrangements for commercialization, market its products successfully, or achieve customer acceptance.

Future capital requirements; uncertainty of future funding

Substantial expenditures will be required to enable Omnitek to conduct existing product research, manufacturing, marketing and distribution of its products and Intellectual Property. Omnitek may need to raise additional capital to facilitate growth and support its long-term manufacturing, and marketing programs. Omnitek has no established bank-financing arrangements and until we have sufficient assets, capital, and inventory or accounts receivable, it is not anticipated that we will secure any bank financing in the near future. Therefore, it is likely that Omnitek may need to seek additional financing through subsequent future public or private sales of its securities, including equity securities. Omnitek may also seek funding for the manufacturing, and marketing of its products through strategic partnerships and other arrangements with corporate partners. There can be no assurance, however, that such collaborative arrangements or additional funds will be available when needed, or on terms acceptable Omnitek, if at all. Any such additional financing may result in significant dilution to existing stockholders. If adequate funds are not available, we may be required to curtail one or more of our programs. Omnitek's future cash requirements will be affected by the revenue generated from the sale of its products, the costs of production and marketing, as well as relationships with corporate partners, changes in the focus and direction of Omnitek's programs, competitive and technological advances, and other factors.

Dependence on others; manufacturing capabilities and limited distribution capabilities

An important element of Omnitek's strategy for the marketing and release of its products is to enter into various arrangements with distribution and retail partners. The success and commercialization of Omnitek's products will be dependent, in part, upon Omnitek's 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 Omnitek, 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 Omnitek is not able to enter into such arrangements, it could encounter delays in introducing its products into the market. See "Business."

Omnitek currently assembles most products in-house after receiving components from outside vendors. Future products may be produced or manufactured by outside companies for Omnitek. Therefore, Omnitek may be dependent on contract manufacturers for the production and manufacturing of certain products or components. In the event that we are unable to obtain or retain the necessary manufacturers for components or products on acceptable terms, we may not be able to continue to commercialize and market our products as planned. The manufacture of Omnitek's products will be subject to current good manufacturing practices ("GMP") requirements prescribed by Omnitek in order to meet the specifications and other standards prescribed by Omnitek to satisfy the anticipated and appropriate levels of operations and effectiveness when in use. There can be no assurance that we will be able to (i) obtain adequate supplies of its products in a timely fashion at acceptable quality and prices, (ii) enter into arrangements for the manufacture of products with manufacturers whose facilities and procedures comply with Omnitek's GMP or other regulatory requirements, should any such regulatory requirements arise, (iii) or that manufacturers will continue to comply with such standards, or (iv) that such manufacturers will be able to adequately meet Omnitek product needs. Omnitek's dependence upon others for the manufacture of its proposed products may adversely affect our ability to develop and deliver products on a timely and competitive basis.

In addition, Omnitek does not now have, nor does it have current plans to acquire or obtain, the facilities, or personnel necessary to conduct its own full-scale distribution of its products. Consequently, Omnitek will have to rely on existing commercial distribution channels for the sale of its products. There can be no assurance that Omnitek will be able to secure sufficient distribution of any of its products on acceptable terms.

Approximately eight customers accounted for 58% of revenue for the year ended December 31, 2015, and loss of any of these customers could adversely affect our results of operations, financial condition, and profitability

These customers are free to purchase conversion kits and new natural gas engines from our competitors who may have more established distribution channels and other competitive advantages, such as price. In addition, our customers' need for our conversion kits and new natural gas engines depends on worldwide and regional market conditions and the various governmental regulations. If any of the latter factors change significantly, our customers' demand for our products might decline substantially.

The loss of any of these customers would be expected to have a materially adverse effect on our results of operations and financial condition. At the minimum, it would have a materially adverse effect on our operations during the short-term until we are able to generate replacement customers. For more information about dependence on a few major customers, please see Item 1. Description of Business - "Dependence on One or Few Major Customers."

Dependence on a limited number of qualified suppliers of components and equipment could lead to delays, lost revenue or increased costs.

Our future operating results may depend substantially on our suppliers' ability to supply us with components in sufficient volumes to meet our production requirements. Some components that we use are available from only a single or limited number of qualified suppliers. If there is a significant simultaneous upswing in demand for such a component from several high volume industries resulting in a supply reduction, if a component is otherwise in short supply, or if a supplier has a quality issue with a component, we may experience delays or increased costs in obtaining that component. If we are unable to obtain sufficient quantities used in the components, or other necessary components, we may experience production delays which could cause us loss of revenue. If a component becomes unavailable, we could suffer significant loss of revenue.

Each of the following could also significantly harm our operating results:

- an unwillingness of a supplier to supply such components to us;
- consolidation of key suppliers;
- failure of key suppliers to provide enough components;
- a key supplier's, or sub-supplier's, inability to access credit necessary to operate its business; or
- failure of a key supplier to remain in business.

Risk of technological obsolescence and competition

Omnitek operates in an ever-evolving field. Developments are expected to continue at a rapid pace in the industry in general. Competition from other large companies, joint ventures, research and academic institutions and others is intense and expected to increase. Many of these companies and institutions have substantially greater capital resources, research and development staffs and facilities than Omnitek, and many have substantially greater experience in conducting testing, manufacturing and marketing of products. These entities represent significant long-term competition for Omnitek. There can be no assurance that developments by others will not render our technologies and future products obsolete or noncompetitive. In addition, Omnitek's competitors might succeed in developing or purchasing technologies and products that are more effective than those that are being developed by the Company or that would render the Company's technology and products obsolete or noncompetitive. See "Business – Competition."

Dependence upon key personnel

Our success in developing marketable products and achieving a competitive position will depend, in part, on its ability to retain qualified engineers, management and marketing personnel and in particular, to retain the services of Werner Funk, upon whose we are totally reliant on for the development of products for the Company.

In the event of the death, incapacity or departure of Mr. Funk from Omnitek, it is unlikely that we would be able to continue conducting our business plan. Even if we are able to find additional personnel to replace Mr. Funk it is uncertain whether we could find someone who could develop our business along the lines described in this report. We will fail without Mr. Funk or an appropriate replacement. We have acquired "key-man" life insurance on the life of Mr. Funk naming Omnitek as the beneficiary however there is no guarantee that this policy would be adequate to allow us to continue to operate in the event Mr. Funk should be unable to continue in his current position due to death, incapacity or some other unforeseen event.

Omnitek has an Employment Agreement in place with Mr. Funk that provides for continued service in his current capacities through October of 2017 and thereafter on a year-to-year basis. See "Narrative Disclosure to Summary Compensation Table" for details of Employment Agreements.

Changes of prices for products

While the prices of our products are projected to be in line with those from market competitors, there can be no assurance that they will not decrease in the future. Competition may cause us to lower prices in the future.

Creditworthiness of distributors is an ongoing concern

Omnitek may not always be able to collect all of the funds owed to it by its 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. Omnitek tries to minimize this concern by selling most of its products by way of prepaid purchase orders.

C Corporation tax status

Omnitek is a C Corporation under the Internal Revenue Code of 1986. All items of income and loss are taxed first at the corporate level and any dividends distributed to shareholders are taxed at the shareholder level as well.

Limited current sales and marketing capability

Though Omnitek has key personnel with experience in sales, marketing and distribution to market its products, we must either retain and hire the necessary personnel to distribute and market its products or enter into collaborative arrangements or distribution agreements with third parties who will market such products or develop their own marketing and sales force with technical expertise and supporting distribution capability. There can be no assurance that we will be able to retain or hire the personnel with sufficient experience and knowledge to distribute and market its products or be able to enter into collaborative or distribution arrangements or develop its own sales force, or that such sales and marketing efforts, including the efforts of the companies with which Omnitek has entered into collaborative agreements, will be successful.

Trading and limited market

At the present time, Omnitek common stock is traded on the OTCBB under the symbol OMTK. There is currently a limited public market for the Common Stock and there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. However, should such a market arise, the possibility of actual sale into the market of shares, as permitted under Rule 144 of the Securities Act of 1933, may adversely affect prevailing market prices, if any, for Omnitek's Common Stock and could impair our ability to raise capital through the sale of its equity securities. In order to qualify for unrestricted resale of Common Stock under Rule 144, certain holding periods must be met and a legal opinion setting forth the exemption from registration must be provided. Further, there is no assurance that Rule 144 will be applicable to Omnitek and investors may not be able to rely on its provisions now or in the future. In addition, sales of significant amounts of Common Stock by Omnitek could have an adverse effect on the market price.

No dividends

No cash dividends have been paid. Payment of dividends on the Common Stock is within the discretion of the Board of Directors, is subject to state law, and will depend upon our earnings, if any, its capital requirements, financial condition and other relevant factors.

Possible volatility of stock price

The market price of our securities is likely to be highly volatile. Factors such as the market acceptance of Omnitek's products, success of distribution channels or its competitors, announcements of technological innovations or new commercial products by us or our competitors, developments in trademark, patent or other proprietary rights of Omnitek or our competitors, and fluctuations in our operating results may have a significant effect on the market price of the Common Stock. In addition, the stock market has experienced and continues to experience extreme price and volume fluctuations which have affected the market price of many companies and which have often been unrelated to the operating performance of these companies. These broad market fluctuations, as well as general economic and political conditions, may adversely affect the market price, if a market develops, of the Common Stock. See "Description of Capital Stock."

We are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, which require us to incur audit fees and legal fees in connection with the preparation of such reports. These additional costs could reduce our ability to earn a profit.

We are required to file periodic reports with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. In order to comply with these requirements, our independent registered public accounting firm has to review our financial statements on a quarterly basis and audit our financial statements on an annual basis. Moreover, our legal counsel will have to review and assist in the preparation of such reports. The costs charged by these professionals for such services cannot be accurately predicted at this time because factors such as the number and type of transactions that we engage in and the complexity of our reports cannot be determined at this time and will have a major effect on the amount of time to be spent by our auditors and attorneys. However, the incurring of such costs will obviously be an expense to our operations and thus have a negative effect on our ability to meet our overhead requirements and earn a profit. We may be exposed to potential risks resulting from requirements under Section 404 of the Sarbanes-Oxley Act of 2002. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended by SEC Release 33-8889 we are required to include in our annual report our assessment of the effectiveness of our internal control over financial reporting as of the end of the year. If we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly.

Management believes that these reporting obligations will increase Omnitek's annual legal and accounting costs by an estimated \$30,000 and \$27,000, respectively.

Penny stock regulations

If Omnitek's stock is below \$5.00 per share, or we do not have \$2,000,000 in net tangible assets, or are not listed on an exchange or on the NASDAQ National Market System, among other conditions, our shares may be subject to a rule promulgated by the Securities and Exchange Commission (the "SEC") that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and institutional accredited investors. For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written consent to the transaction prior to the sale. Furthermore, if the price of Omnitek's stock is below \$5.00, and does not meet the conditions set forth above, sales of our stock in the secondary market will be subject to certain additional new rules promulgated by the SEC. These rules generally require, among other things, that brokers engaged in secondary trading of stock provide customers with written disclosure documents, monthly statements of the market value of penny stocks, disclosure of the bid and asked prices, and disclosure of the compensation to the broker-dealer and disclosure of the sales person working for the broker-dealer. These rules and regulations may affect the ability of broker-dealers to sell Omnitek's securities, thereby limiting the liquidity of the securities. They may also affect the ability of shareholders to resell their securities in the secondary market.

ITEM 2. PROPERTIES

The Company owns no real property and has a five-year lease agreement for its principal executive offices and related engineering and assembly facilities located in approximately 25,000 square feet of space at 1333 Keystone Way, Suite 101, Vista, California 92081. During the year ended December 31, 2015, lease payments were \$183,099. For the fiscal year ended December 31, 2014, lease payments were \$178,417. Our existing space should be adequate for our needs for the next few years, however as the Company enters the U.S. market, there is the possibility we will need to expand our facilities again.

In August of 2013, the Company began leasing a shared office space, which is used on a part time basis, located at 8117 Preston Road, Suite 300, Dallas, Texas 75225. In the fiscal year ended December 31, 2015 we paid \$872, and the lease was terminated effective August 31, 2015.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any pending legal proceeding. No federal, state or local governmental agency is presently contemplating any proceeding against the Company. No director, executive officer or affiliate of the Company or owner of record or beneficially of more than five percent of the Company's common stock is a party adverse to the Company or has a material interest adverse to the Company in any proceeding.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on OTCBB under the symbol "OMTK." The CUSIP number for the Issuer's common stock is 68215W 10 7. The following table sets forth, in U.S. dollars the high and low sale prices for each of the calendar quarters indicated, as reported by the OTCBB. The prices in the table may not represent actual transactions and do not include retail markups, markdowns or commissions.

	Company Common Stock Prices	
	High	Low
2015		
Quarter ended December 31	\$ 0.97	\$ 0.42
Quarter ended September 30	1.00	0.41
Quarter ended June 30	1.19	0.65
Quarter ended March 31	1.30	0.87
2014		
Quarter ended December 31	\$ 2.37	\$ 1.05
Quarter ended September 30	2.94	2.19
Quarter ended June 30	2.86	1.97
Quarter ended March 31	3.00	2.15

There is currently a limited public market for the Common Stock and there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. However, should such a market arise, the possibility of actual sale into the market of shares of the Company's Common Stock as permitted under Rule 144 of the Securities Act of 1933 may adversely affect prevailing market prices, if any, for the Company's Common Stock and could impair the Company's ability to raise capital through the sale of its equity securities. In order to qualify for unrestricted resale of Common Stock under Rule 144, certain holding periods must be met and a legal opinion setting forth the exemption from registration must be provided. Further, there is no assurance that Rule 144 will be applicable to the Company and investors may not be able to rely on its provisions now or in the future. In addition, sales of significant amounts of Common Stock by the Company subsequent to this offering could have an adverse effect on the market price, if any, for the Company's securities.

The market price of Omnitek's common stock will likely fluctuate significantly in response to the following factors, some of which are beyond the Company's control: variations in its quarterly operating results; changes in financial estimates of its revenues and operating results by securities analysts; changes in market valuations of similar companies; announcements by us of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; additions or departures of key personnel; future sales of its common stock; stock market price and volume fluctuations attributable to inconsistent trading volume levels of its stock; commencement of, or involvement in, litigation.

On March 28, 2016, the last bid and ask of our common stock as reported on the OTCBB was \$0.22 and \$0.24, respectively.

Holders

There were approximately 42 holders of record of Omnitek's Common Stock as of December 31, 2015.

Dividends

Common Stock - No dividends have ever been paid on the Common Stock and the Company does not currently anticipate paying any cash or other dividends on the Common Stock. Future dividend policy will be determined by the Board of Directors of the Company in light of prevailing financial need and earnings, if any, of the Company and other relevant factors.

Preferred Stock - Under our articles of incorporation, our Board of Directors is authorized, without stockholder action, to issue preferred stock in one or more series and to fix the number of shares and rights, preferences, and limitations of each series. Among the specific matters that may be determined by the Board of Directors are the dividend rate, the redemption price, if any, conversion rights, if any, the amount payable in the event of any voluntary liquidation or dissolution of our company, and voting rights, if any. As of the date of this report, no shares of preferred stock were issued and outstanding.

Payment of dividends on the Common Stock and Preferred Stock is within the discretion of the Board of Directors, is subject to state law, and will depend upon the Company's earnings, if any, its capital requirements, financial condition and other relevant factors.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2015 with respect to our equity compensation plans previously approved by stockholders and equity compensation plans not previously approved by stockholders.

Plan Category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	915,000	\$ 2.10	45,000
Equity compensation plans not approved by stockholders	250,000	0.75	2,250,000
Total	1,165,000	\$ 1.81	2,295,000

On September 1, 2006, the Board of Directors adopted the Omnitek Engineering Corp. 2006 Long-term Incentive Plan (the "2006 Plan"), under which 1,000,000 shares of Company's Common Stock were reserved for issuance by the company to attract and retain employees and directors of the Company and to provide such persons with incentives and awards for superior performance and providing services to the Company. The 2006 Plan is administered by a committee comprised of the Board of Directors of the Company or appointed by the Board of Directors, which has broad flexibility in designing stock-based incentives. The Board of Directors determines the number of shares granted and the option exercise price, pursuant to the terms of the Plan. On November 30, 2007, the Board of Directors authorized the increase of shares available under the 2006 Plan to 10,000,000 post-split adjusted shares.

On August 3, 2011, the Board of Directors adopted the Omnitek Engineering Corp. 2011 Long-term Incentive Plan (the "2011 Plan"), under which 1,000,000 shares of Company's Common Stock were reserved for issuance by the company to attract and retain employees and directors of the Company and to provide such persons with incentives and awards for superior performance and providing services to the Company.

The 2011 Plan is administered by a committee comprised of the Board of Directors of the Company or appointed by the Board of Directors, which has broad flexibility in designing stock-based incentives. The Board of Directors determines the number of shares granted and the option exercise price, pursuant to the terms of the Plan.

On September 11, 2015, the Board of Directors adopted the Omnitek Engineering Corp. 2015 Long-term Incentive Plan (the "2015 Plan"), under which 2,500,000 shares of Company's Common Stock were reserved for issuance by the company to attract and retain employees and directors of the Company and to provide such persons with incentives and awards for superior performance and providing services to the Company.

The 2015 Plan is administered by a committee comprised of the Board of Directors of the Company or appointed by the Board of Directors, which has broad flexibility in designing stock-based incentives. The Board of Directors determines the number of shares granted and the option exercise price, pursuant to the terms of the Plan.

Issuer Purchases of Equity Securities

There were no stock repurchases during the year ended December 31, 2015.

Recent Sales of Unregistered Securities

On October 2, 2015, the company granted a non-qualified stock option grant to a Contractor, to purchase up to one hundred fifty thousand (150,000) shares of the Company's common stock at an exercise price of \$0.78 per share, representing the average closing price of the common stock on the prior five trading days of October 2, 2015. The options shall vest and become exercisable at such time as 200 engine conversions have been completed from such fleets or customers, which conversion sales were facilitated by or through Contractor. The options shall be exercisable for a period of five (5) years from the date of grant. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individual receiving the options is intimately acquainted with the Company's business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

On November 3, 2015 the Company granted 100,000 Incentive Stock Options (to the extent allowed) to an employee, under its 2015 Long-Term Incentive Plan. The Options shall vest and be exercisable with regard to one-fourth (1/4) of the total shares subject to the Option, at the end of each month following the Date of Grant, so that all shares subject to the Options will be fully vested on the fourth anniversary of the Date of Grant. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individual receiving the options is intimately acquainted with the Company's business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individual receiving the options is intimately acquainted with the Company's business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

ITEM 6. SELECTED FINANCIAL DATA

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

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to the financial statements included elsewhere in this periodic report. Some of the statements under "Management's Discussion and Analysis," "Description of Business" and elsewhere herein may include forward-looking statements which reflect our current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the alternative fuels engines industry in general. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. The safe harbor provisions of the federal securities laws do not apply to any forward-looking statements contained in this registration statement.

All forward-looking statements address such matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read herein reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our written and oral forward-looking statements attributable to us or individuals acting on our behalf and such statements are expressly qualified in their entirety by this paragraph.

Results of Operations

For the twelve months ended December 31, 2015 and 2014

Revenues, including revenues to related parties, increased to \$1,793,556 for 2015 from \$1,485,818 in 2014, an increase of \$307,738, or 21%, which was primarily due to increased revenue from engine conversion business.

Our cost of sales increased to \$1,032,412 in 2015 from \$852,358 in 2014, an increase of \$180,054. Our gross margin was 42% in 2015 compared with 43% in 2014.

Our operating expenses for 2015 were \$1,771,684 compared with \$2,520,600 in 2014, a decrease of \$748,916 or 30%. General and administrative expense for 2015 was \$1,445,866 compared with \$1,870,533 in 2014. The decrease is due primarily to professional fees of \$79,655 in 2015 compared with \$165,376 in 2014 and outside services of \$49,001 in 2015 compared with \$100,206 in 2014. Major components of general and administrative expenses in 2015 were insurance expense of \$144,598, rent expense of \$127,477 and salary and wages of \$516,670. This compares with insurance expense of \$181,334, rent expense of \$151,481, and salary and wages of \$549,961 during 2014. Research and development outlays were decreased to \$295,190 in 2015 compared with \$600,091 in 2014.

Our net loss in 2015 was \$1,007,107, or \$0.05 per share, compared with a net loss of \$1,828,027, or \$0.09 per share, in 2014. The decreased loss was primarily the result of a reduction in both general and administrative and research and development expenditures in 2015. Additionally, operating loss for the twelve months ended December 31, 2015 was \$1,082,082 as compared to \$1,887,140 for the twelve months ended December 31, 2014. The decreased operating loss was primarily due to decreased general and administrative expense and decreased research and development expense for 2015 as compared to 2014.

Results for the twelve months ended December 31, 2015 reflect non-cash expenses, including the value of options and warrants granted in the amount of \$225,097 and depreciation and amortization of \$30,628. For the twelve months ended December 31, 2014, non-cash expenses and income included the value of options and warrants granted for \$335,731 and depreciation and amortization of \$49,979.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash provided by operating activities and available working capital. Additionally, from time to time we may raise funds from the equity capital markets to fund our research and development programs, expansion of our business and general operations.

At December 31, 2015, our current liabilities totaled \$572,310 and our current assets totaled \$2,287,196, resulting in positive working capital of \$1,714,886 and a current ratio of 4.1.

We have no firm commitments or obligations for capital expenditures. However, substantial discretionary expenditures will be required to enable us to conduct existing and planned product research, design, development, manufacturing, marketing and distribution of our products and Intellectual Property. We may need to raise additional capital to facilitate growth and support our long-term product development, manufacturing, and marketing programs. The Company has no established bank-financing arrangements and until we have sufficient assets, capital, and inventory or accounts receivable, it is not anticipated that we will secure any bank financing in the near future. Therefore, it is likely that we may need to seek additional financing through subsequent future public or private sales of our securities, including equity securities. We may also seek funding for the development, manufacturing, and marketing of our products through strategic partnerships and other arrangements with corporate partners. There can be no assurance, however, that such collaborative arrangements or additional funds will be available when needed, or on terms acceptable to us, if at all. If adequate funds are not available, we may be required to curtail one or more of our research and development programs.

We have historically incurred significant losses, which have resulted in a total accumulated deficit of \$17,849,412 at December 31, 2015, of which \$5,604,135 is a direct result of derivative expense and change in fair value of derivative liability and is unrelated to, and has had no effect on, our operations or cash flow.

Operating Activities

We have realized a negative cash flow from operations of \$392,936 for the twelve months ended December 31, 2015 compared with a negative cash flow of \$1,546,195 during the twelve months ended December 31, 2014.

Included in the net loss of \$1,007,107 for the twelve months ended December 31, 2015 are non-cash expenses, which are not a drain on our capital resources. During 2015, these non-cash expenses include the value of options and warrants granted in the amount of \$225,097, and depreciation and amortization of \$30,628. Excluding these non-cash amounts, our adjusted EBITDA for the twelve months ended December 31, 2015 is a loss of \$750,582.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

Omnitek's financial statements are prepared using the accrual method of accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas where significant estimates are required include the following:

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Inventory is stated at the lower of cost or market. Omnitek's inventory consists of finished goods and raw material. Omnitek identifies items in its inventory that have not been sold in a timely manner. Accordingly, we have established an allowance for the cost of such slow moving or obsolete inventory.

Omnitek assesses the recoverability of its long lived assets annually and whether circumstances would indicate that there may be an impairment. Omnitek compares the estimated undiscounted future cash flows to the carrying value of the long lived assets to determine if an impairment has occurred. In the event that an impairment has occurred, Omnitek recognizes the impairment immediately.

Omnitek accounts for income taxes in accordance with Accounting Standards Codification Topic 740, which requires the recognition of deferred tax liabilities and assets at currently enacted tax rates for the expected future tax consequences of events that have been included in the financial statements or tax returns. A valuation allowance is recognized to reduce the net deferred tax asset to an amount that is more likely than not to be realized. Omnitek uses historical experience to determine the likelihood of realization of deferred tax liabilities and assets.

Revenue Recognition

Omnitek recognizes revenue from the sale of new natural gas engines and components to convert existing diesel engines to natural gas engines. Revenue is recognized when persuasive evidence of an arrangement exists; products have been shipped; pricing has been determined; and collection of the resulting receivable is reasonably assured.

Accounting for Income Taxes

Omnitek accounts for income taxes in accordance with Accounting Standards Codification Topic 740, Income Taxes ("Topic 740"), which requires the recognition of deferred tax liabilities and assets at currently enacted tax rates for the expected future tax consequences of events that have been included in the financial statements or tax returns. A valuation allowance is recognized to reduce the net deferred tax asset to an amount that is more likely than not to be realized.

Topic 740 provides guidance on the accounting for uncertainty in income taxes recognized in a company's financial statements. Topic 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

At the adoption date of November 1, 2007, Omnitek had no unrecognized tax benefit which would affect the effective tax rate if recognized.

Omnitek includes interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2015, Omnitek had no accrued interest or penalties related to uncertain tax positions.

Omnitek files an income tax return in the U.S. federal jurisdiction and the state of California. With few exceptions, Omnitek is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before 2008.

At December 31, 2015, Omnitek had net operating loss carry forwards of approximately \$5,805,378 through 2034. No tax benefit has been reported in the December 31, 2015 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

Recently Issued Accounting Pronouncements

Omnitek has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on Omnitek's financial position, or statements.

ITEM 7A

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.

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OMNITEK ENGINEERING CORP.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

CONTENTS

Report of Independent Registered Public Accounting Firm	32
Balance Sheets	33
Statements of Operations	34
Statement of Stockholders' Equity	35
Statements of Cash Flows	36
Notes to Financial Statements	37



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Omnitek Engineering Corp.

We have audited the accompanying balance sheets of Omnitek Engineering Corp. (the Company) as of December 31, 2015 and 2014 and the related statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Omnitek Engineering Corp. as of December 31, 2015 and 2014, and the results of their operations and cash flows for each of the years in the two year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Sadler, Gibb & Associates, LLC

Salt Lake City, UT
March 30, 2016

office 801.783.2950
fax 801.783.2960

www.sadlergibb.com | 2455 East Parleys Way Suite 320, Salt Lake City, UT 84109

OMNITEK ENGINEERING CORP.
Balance Sheets

ASSETS

	December 31, 2015	December 31, 2014
CURRENT ASSETS		
Cash	\$ 105,846	\$ 498,782
Accounts receivable, net	30,835	56,059
Accounts receivable - related parties	17,257	15,092
Inventory, net	2,107,463	2,333,781
Prepaid expense	6,050	4,200
Deposits	19,745	92,779
Total Current Assets	2,287,196	3,000,693
FIXED ASSETS, net	59,151	88,715
OTHER ASSETS		
Intellectual property, net	281	1,345
Other noncurrent assets	14,280	14,280
Total Other Assets	14,561	15,625
TOTAL ASSETS	\$ 2,360,908	\$ 3,105,033
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 145,207	\$ 84,385
Accrued management compensation	189,163	102,096
Accounts payable - related parties	7,591	3,600
Customer deposits	230,349	345,844
Total Current Liabilities	572,310	535,925
Total Liabilities	572,310	535,925
STOCKHOLDERS' EQUITY		
Common stock, 125,000,000 shares authorized; no par value; 19,981,082 and 19,979,582 shares issued and outstanding, respectively	8,291,411	8,289,911
Additional paid-in capital	11,346,599	11,121,502
Accumulated deficit	(17,849,412)	(16,842,305)
Total Stockholders' Equity	1,788,598	2,569,108
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,360,908	\$ 3,105,033

OMNITEK ENGINEERING CORP.
Statements of Operations

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
REVENUES	\$ 1,738,632	\$ 1,443,665
REVENUES, related parties	54,924	42,153
COST OF GOODS SOLD	<u>1,032,412</u>	<u>852,358</u>
GROSS MARGIN	761,144	633,460
OPERATING EXPENSES		
General and administrative	1,443,951	1,870,533
Research and development	295,190	600,091
Depreciation and amortization	<u>30,628</u>	<u>49,976</u>
Total Operating Expenses	<u>1,769,769</u>	<u>2,520,600</u>
LOSS FROM OPERATIONS	<u>(1,008,625)</u>	<u>(1,887,140)</u>
OTHER INCOME (EXPENSE)		
Interest income	24	45,467
Other income	4,209	13,646
Total Other Income (Expense)	<u>4,233</u>	<u>59,113</u>
LOSS BEFORE INCOME TAXES	(1,006,307)	(1,828,027)
INCOME TAX EXPENSE	<u>800</u>	<u>800</u>
NET LOSS	<u>\$ (1,007,107)</u>	<u>\$ (1,828,827)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
WEIGHTED AVERAGE NUMBER		
OF COMMON SHARES OUTSTANDING		
- BASIC AND DILUTED	<u>19,980,971</u>	<u>19,816,240</u>

OMNITEK ENGINEERING CORP.
Statement of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2013 (as restated)	19,759,582	8,201,311	10,785,771	(15,013,478)	3,973,604
Value of options and warrants issued for services	-	-	335,731	-	335,731
Exercise of warrants and options for cash	220,000	88,600	-	-	88,600
Net loss for the twelve months ended December 31, 2014	-	-	-	(1,828,827)	(1,828,827)
Balance, December 31, 2014	19,979,582	8,289,911	11,121,502	(16,842,305)	2,569,108
Value of options and warrants issued for services	-	-	225,097	-	225,097
Common stock issued for services	1,500	1,500	-	-	1,500
Net loss for the twelve months ended December 31, 2015	-	-	-	(1,007,107)	(1,007,107)
Balance, December 31, 2015	19,981,082	\$ 8,291,411	\$ 11,346,599	\$ (17,849,412)	\$ 1,788,598

OMNITEK ENGINEERING CORP.
Statements of Cash Flows

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
OPERATING ACTIVITIES		
Net loss	\$ (1,007,107)	\$ (1,828,827)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization and depreciation expense	30,628	32,731
Amortization of premium on investments	-	17,248
Options and warrants granted	225,097	335,731
Common stock issued for services	1,500	-
Changes in operating assets and liabilities:		
Accounts receivable	25,222	(17,798)
Accounts receivable-related parties	(2,165)	18,277
Deposits	73,036	(29,806)
Prepaid Expense	(1,850)	2,997
Inventory	226,318	(107,913)
Accounts payable and accrued expenses	60,822	(7,361)
Customer deposits	(115,495)	123,772
Accounts payable-related parties	3,991	2,125
Accrued management compensation	87,067	(87,371)
Net Cash Used in Operating Activities	<u>(392,936)</u>	<u>(1,546,195)</u>
INVESTING ACTIVITIES		
Maturity of short-term investments	-	900,000
Purchase of property and equipment	-	(1,459)
Net Cash Provided by Investing Activities	<u>-</u>	<u>898,541</u>
FINANCING ACTIVITIES		
Exercise of warrants and options for cash	-	88,600
Net Cash Provided by Financing Activities	<u>-</u>	<u>88,600</u>
NET DECREASE IN CASH	(392,936)	(559,054)
CASH AT BEGINNING OF YEAR	498,782	1,057,836
CASH AT END OF PERIOD	<u>\$ 105,846</u>	<u>\$ 498,782</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
CASH PAID FOR:		
Interest	\$ 1,915	\$ -
Income taxes	\$ 800	\$ 800

NOTE 1 – ORGANIZATION AND BUSINESS ACTIVITY

Omnitek Engineering, Corp. ("Omnitek" or "the Company") was incorporated on October 9, 2001 under the laws of the State of California. Omnitek develops and supplies new natural gas engine and advanced engine management systems for gaseous fuels and is the manufacturer of a proprietary technology used to convert old or new diesel engines to operate on natural gas, propane or hydrogen. Omnitek began operations on October 10, 2001, and was a spin-off from Nology Engineering, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Methods

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a December 31, year-end.

b. Uses of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

d. Accounts Receivable

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Allowance for doubtful accounts for the years ended December 31, 2015 and 2014 was \$15,000 and \$15,000, respectively. Additionally, bad debt expense for the years ended December 31, 2015 and 2014 was \$13,805 and \$6,489, respectively.

d. Inventory

Inventories at the lower of cost, determined on an average cost basis. Market value for raw materials is based on replacement costs. Inventory costs include material, labor and manufacturing overhead. The Company reviews inventories on hand at least annually and records provisions for estimated excess, slow moving and obsolete inventory, as well as inventory with a carrying value in excess of net realizable value. The regular and systematic inventory valuation reviews include a current assessment of future product demand, historical experience and product expiration.

e. Held to Maturity Investments

During the three months ended June 30, 2012, the Company purchased various corporate bonds. The Company intends to hold the bonds to maturity. Accordingly, the Company has recorded and is amortizing the premium on the bonds over the remaining life. During the year ended December 31, 2014, the Company received proceeds of \$900,000 from bonds that matured during the period. During the year ended December 31, 2015 and 2014, the Company had correlating amortization expense of \$0- and \$17,248, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Long-Lived Assets

The Company assesses the recoverability of its long-lived assets annually and whenever circumstances would indicate that there may be an impairment. The Company compares the estimated undiscounted future cash flows to the carrying value of the long lived assets to determine if an impairment has occurred. In the event that an impairment has occurred, the Company will recognize the impairment immediately. No impairment expense was recognized as of December 31, 2015.

g. Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are calculated on the straight-line method over the shorter of the lease term or the estimated useful lives of the assets ranging from three to five years.

h. Intangible Assets

We evaluate the recoverability of intangible assets, which consist of patents and trademarks, periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. Intangible assets are amortized on a straight-line basis over the following useful lives which range from 2 to 8 years.

i. Revenue Recognition

The Company recognizes revenue from the sale of new engines for use with compressed natural gas, engine components to convert existing engines to compressed natural gas use and components for the maintenance of natural gas engines. Revenues are recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer.

j. Cost of Good Sold

The Company includes product costs (i.e. material, direct labor and overhead costs), shipping and handling expense, production-related depreciation expense and product license agreement expense in cost of goods sold.

k. Research and Development

The Company expenses the costs of researching and developing its products during the period incurred. During the years ended December 31, 2015 and 2014, the Company incurred research and development expenses of \$295,190 and \$600,091, respectively.

l. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. During the year ended December 31, 2015 and 2014, the Company expensed \$-0- and \$28,748, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Provision For Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification Topic 740, Income Taxes ("Topic 740"), which requires the recognition of deferred tax liabilities and assets at currently enacted tax rates for the expected future tax consequences of events that have been included in the financial statements or tax returns. A valuation allowance is recognized to reduce the net deferred tax asset to an amount that is more likely than not to be realized.

Topic 740 provides guidance on the accounting for uncertainty in income taxes recognized in a company's financial statements. Topic 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

At the adoption date of November 1, 2007, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized. The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2015, the Company had no accrued interest or penalties related to uncertain tax positions. The Company files an income tax return in the U.S. federal jurisdiction and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before 2008.

n. Basic and Diluted Loss Per Share

The computation of basic earnings per share of common stock is based on the weighted average number of shares outstanding during the periods presented. The computation of fully diluted earnings per share includes common stock equivalents outstanding at the balance sheet date. The Company had -0- stock options and warrants that would have been included in the fully diluted earnings per share as of December 31, 2015 and 2014, respectively.

o. Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

p. Stock-based Compensation

The Company recognizes compensation expense for stock-based awards expected to vest on a straight-line basis over the requisite service period of the award based on their grant date fair value. The Company estimates the fair value of stock options using a Black-Scholes option pricing model which requires management to make estimates for certain assumptions regarding risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Concentration of Risks

Customers

During the year ended December 31, 2015, eight customers accounted for approximately 58% of sales.

During the year ended December 31, 2014, eight customers accounted for approximately 56% of sales.

Suppliers

During the year ended December 31, 2015, five suppliers accounted for 34% of products purchased.

During the year ended December 31, 2014, four suppliers accounted for 42% of products purchased.

r. Liquidity

Historically, the Company has incurred net losses and negative cash flows from operations. As of December 31, 2015, the Company had an accumulated deficit of \$17,849,412 and total stockholders' equity of \$1,788,598. At December 31, 2015, the Company had current assets of \$2,287,196 including cash of \$105,846, and current liabilities of \$572,310, resulting in working capital of \$1,714,886. For 2015, the Company reported a net loss of \$1,007,107 and net cash used by operating activities of \$392,936. Management believes that based on its operating plan, the projected sales for 2016, combined with funds available from its working capital will be sufficient to fund operations for the next twelve months. However, there can be no assurance that operations and operating cash flows will continue at the current levels or improve in the near future. If the Company is unable to obtain profitable operations and positive operating cash flows, it may require additional funding or be forced to scale back its development plans or to significantly reduce or terminate operations. Newly Issued Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company's financial position or financial statements.

NOTE 3 – INVENTORY

Inventory is located in Vista, California and at December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Raw materials	\$ 1,093,890	\$ 1,122,270
Finished goods	1,263,089	1,403,946
In transit	-	46,835
Allowance for obsolete inventory	(249,516)	(239,270)
Total	\$ 2,107,463	\$ 2,333,781

The Company has established an allowance for obsolete inventory. Expense for obsolete inventory was \$26,666 and \$15,822, for the periods ended December 31, 2015 and December 31, 2014, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Production equipment	\$ 61,960	\$ 61,960
Computers/Office equipment	28,540	28,540
Tooling equipment	12,380	12,380
Leasehold Improvements	42,451	42,451
Less: accumulated depreciation	(86,180)	(56,616)
Total	<u>\$ 59,151</u>	<u>\$ 88,715</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$29,564 and \$31,204, respectively.

NOTE 5 – INTELLECTUAL PROPERTY

The Company's patents and trademarks at December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
Patents	\$ 42,295	\$ 42,295
Trademarks	1,920	1,920
Intellectual property and customer list	474,000	474,000
Less: accumulated amortization	(517,934)	(516,870)
Total	<u>\$ 281</u>	<u>\$ 1,345</u>

Amortization expense for the years ended December 31, 2015 and 2014 was \$1,064 and \$1,527, respectively.

NOTE 6 – CUSTOMER DEPOSITS

The Company may require a customer deposit from domestic and international customers. Such deposits are recorded in current liabilities until the revenue recognition criteria have been met. As of December 31, 2015 and 2014 the Company had customer deposits of \$230,349 and \$345,844, respectively.

NOTE 7 – COMMITMENTS

As of December 31, 2015 and 2014, the Company had outstanding purchase commitments for inventory totaling \$69,126 and \$227,781, respectively. Of these amounts, the Company had made prepayments of \$19,745 as of December 31, 2015 and \$227,781 as of December 31, 2014 and had commitments for future cash outlays for inventory totaling \$49,381 and \$111,772, respectively.

On January 10, 2013, the Company entered into an operating lease for its facilities in California. Future payment obligations under the terms of the operating lease are as follows:

Years Ending December 31	
2016	\$ 187,531
2017	192,085
2018	35,000
Total minimum lease payments	<u>\$ 414,616</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

Accounts Receivable – Related Parties

The Company holds a non-controlling interest in various distributors in exchange for use of the Company's name and logo. As of December 31, 2015, the Company owned a 15% interest in Omnitek Engineering Thailand Co. Ltd. and a 20% interest in Omnitek Peru S.A.C. As of December 31, 2015 and December 31, 2014, the Company was owed \$17,257 and \$15,092, respectively, by related parties for the purchase of products and services.

Accrued Management Expenses

During the periods ended December 31, 2015 and December 31, 2014, the Company's president and vice president were due amounts for services performed for the Company. As of December 31, 2015 and December 31, 2014 the accrued management fees consisted of the following:

	December 31, 2015	December 31, 2014
Amounts due to the president	\$ 148,719	\$ 78,527
Amounts due to the vice president	40,444	23,569
Total	\$ 189,163	\$ 102,095

NOTE 9 – STOCKHOLDERS' EQUITY

Common Stock

On January 26, 2015 the Company issued 1,500 shares of its common stock in consideration of the Board Meeting fee for the meeting of the Board of Directors held on January 14, 2015.

On October, 11 2014 the Company issued 200,000 shares of its common stock in consideration of the capital contribution of \$75,000 upon the exercise of warrants.

On July 16, 2014 the Company issued 20,000 shares of its common stock in consideration of the capital contribution of \$13,600 upon the exercise of stock options.

Options and Warrants

During the years ended December 31, 2015 and 2014, the Company granted 225,000 and 115,000 options for services, respectively. During the years ended December 31, 2015 and 2014, respectively, the Company recognized expense of \$225,097 and \$335,731 related to options that vested during the years, respectively, pursuant to ASC Topic 718. The total remaining amount of compensation expense to be recognized in future periods is \$371,073.

In April 2007, the Company's shareholders approved its 2006 Long-Term Incentive Plan ("the 2006 Plan"). Under the 2006 plan, the Company may issue up to 10,000,000 shares of both Incentive Stock Options to employees only and Non-Qualified Stock Options to employees and consultants at its discretion. As of December 31, 2014 the remaining 2,590,000 options previously issued under the plan expired. On August 3, 2011 the Board of Directors adopted the Omnitek Engineering Corp. 2011 Long-term Incentive Plan (the "2011 Plan"), under which 1,000,000 shares of Company's Common Stock were reserved for issuance of both Incentive Stock Options to employees only and Non-Qualified Stock Options to employees and consultants at its discretion. As of December 31, 2015 the Company has a total of 915,000 options issued under the plan. On September 11, 2015 the Board of Directors adopted the Omnitek Engineering Corp. 2015 Long Term Incentive Plan (the "2015 Plan"), under which 2,500,000 shares of the Company's Common Stock were reserved for issuance of both Incentive Stock Options to employees only and Non-Qualified Stock Options to employees and consultants at its discretion. As of December 31, 2015 the Company has a total of 100,000 options issued under the plan. During the twelve months ended December 31, 2015 and 2014 the Company issued -0- and -0- warrants, respectively.

NOTE 9 – STOCKHOLDERS' EQUITY (Continued)

The Company recognizes compensation expense for stock-based awards expected to vest on a straight-line basis over the requisite service period of the award based on their grant date fair value. The Company estimates the fair value of stock options using a Black-Scholes option pricing model which requires management to make estimates for certain assumptions regarding risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock. When determining expected volatility, the Company considers the historical performance of the Company's stock, as well as implied volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant, based on the options' expected term. The expected term of the options is based on the Company's evaluation of option holders' exercise patterns and represents the period of time that options are expected to remain unexercised. The Company uses historical data to estimate the timing and amount of forfeitures. In applying the Black-Scholes options pricing model to the option and warrant grants, the fair value of our share-based awards granted were estimated using the following assumptions: risk-free rate – 1.89 percent; expected life – seven years; expected dividend yield – 0.00; expected volatility – 75.60 percent.

A summary of the status of the options and warrants granted at December 31, 2015 and December 31, 2014 and changes during the years then ended is presented below:

	December 31, 2015		December 31, 2014	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	3,515,313	\$ 3.56	6,250,313	\$ 2.30
Granted	225,000	.85	115,000	1.95
Exercised	-	-	(220,000)	.40
Expired or cancelled	-	-	(2,630,000)	.77
Outstanding at end of year	<u>3,740,313</u>	<u>3.38</u>	<u>3,515,313</u>	<u>3.56</u>
Exercisable	<u>3,414,063</u>	<u>\$ 3.52</u>	<u>3,199,896</u>	<u>\$ 3.67</u>

A summary of the status of the options and warrants outstanding at December 31, 2015 is presented below:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual		Number Exercisable	Weighted-Average Exercise Price
		Life			
\$0.01-0.99	175,000	6.74 years		79,167	\$0.85
\$1.01-2.00	215,000	3.39 years		180,000	1.42
\$2.01-3.00	625,000	4.15 years		429,583	2.53
\$3.01-4.00	2,725,313	0.52 years		2,725,313	3.88
\$1.01-4.00	<u>3,740,313</u>	<u>2.31 years</u>		<u>3,414,063</u>	<u>\$3.51</u>

NOTE 9 – STOCKHOLDERS' EQUITY (Continued)

A summary of the status of the options and warrants outstanding at December 31, 2014 is presented below:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Number Exercisable	Weighted-Average Exercise Price
\$1.01-2.00	165,000	3.76 years	145,000	\$3.62
\$2.01-3.00	630,000	4.89 years	334,583	4.76
\$3.01-4.00	2,720,313	2.27 years	2,720,313	2.27
\$1.01-4.00	3,515,313	2.81 years	3,199,896	\$2.59

NOTE 10 – INCOME TAXES

The provision (benefit) for income taxes for the year ended December 31, 2015 and 2014 consists of the following:

	December 31, 2015	December 31, 2014
Federal		
Current	\$ -	\$ -
Deferred	-	-
State		
Current	800	800
Deferred	-	-
	<u>\$ 800</u>	<u>\$ 800</u>

Net deferred tax assets consist of the following components as of December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Deferred tax assets:		
Net operating loss carryover	\$ 5,805,378	\$ 5,348,732
Depreciation	(117,272)	(105,327)
Research and development carry forward	136,465	136,465
Related party accruals	130,538	130,538
Inventory reserve	240,067	244,063
Allowance for doubtful accounts	33,605	33,605
Accrued compensation	85,913	51,957
Deferred rent	(6,128)	-
Deferred tax liabilities:		
Valuation allowance	(6,308,566)	(5,840,033)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 – INCOME TAXES (Continued)

The income tax provision differs from the amount of income tax determined by applying the estimated U.S. federal and state income tax rates of 39% to pretax income from continuing operations for the year ended December 31, 2015 and 2014 due to the following:

	December 31, 2015	December 31, 2014
Book loss	\$ (392,774)	\$ (713,243)
Meals and entertainment	299	240
State tax deduction	-	312
Deferred rent	6,128	-
Stock/Options for services	88,273	130,935
Depreciation	11,945	19,491
Accrued compensation	(33,956)	34,215
Inventory reserve	3,996	1,541
Valuation allowance	786,445	1,033,692
Net operating loss carryover	(469,556)	(506,383)
Income Tax Expense	<u>\$ 800</u>	<u>\$ 800</u>

At December 31, 2015, the Company had net operating loss carry forwards of approximately \$5,805,378 through 2034. No tax benefit has been reported in the December 31, 2015 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount. Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

NOTE 11 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, Company management reviewed all material events through the date of this report. There are no material subsequent events to report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2015.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, the risk.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015, using criteria established in the *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that assessment, management identified a material weakness in internal control over financial reporting as of December 31, 2015 as further described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As a result of our assessment, we have identified the following control deficiencies that represent material weaknesses as of December 31, 2015:

(1) Lack of an independent audit committee or audit committee financial expert. Although our board of directors serves as the audit committee it has no independent directors. These factors are counter to corporate governance practices as defined by the various stock exchanges and may lead to less supervision over management;

(2) Lack of proper segregation of duties; and

(3) We have determined there is a deficiency with regard to the lack of a complete backup process for our electronic financial information and inventory systems. There is limited stored backup offsite or in a media safe, and as such, there are no regularly run test restorations of said financial information.

This Annual Report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting.

Remediation Plan for the Material Weakness

Management has been engaged in developing remediation plans to address the above material weakness. In order to address and resolve this deficiency we are currently researching the options available given our financial means to have a regularly scheduled and dependable offsite backup of our Company records that will allow us to restore our data in the event of a system failure. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address the material weakness or determine to supplement or modify the remediation measures described above.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during our fourth fiscal quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Identification of directors and executive officers

Our current directors and executive officers are as follows:

Name	Age	Positions and Offices	Directorship Term	Period of Service as a Director
Werner Funk	57	President, CEO, Secretary and Director	One Year	May 2001 to Present
Richard Miller	55	Chief Financial Officer	N/A	N/A
Janice M. Quigley	68	Vice President and Director	One Year	August 2003 to Present
George G. Chachas	53	Director	One Year	August 2012 to Present
Gary S. Maier	62	Director	One Year	August 2012 to Present
John M. Palumbo	60	Director	One Year	October 2013 to Present

All of the Company's directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. The officers are appointed by our Board of Directors and hold office until their earlier death, retirement, resignation or removal.

Significant Employees

There are no significant employees other than Mr. Funk and Mr. Miller.

Family Relationships

There are no family relationships between any directors or executive officers of Omnitek, either by blood or by marriage.

Business Experience

The business experience during the past five years of each of the persons presently listed above as an Officer or Director of Omnitek or a Significant Employee is as follows:

Werner Funk – Mr. Funk was born in Germany. He has been a Director and the CEO of Omnitek since its formation in May of 2001. Mr. Funk has over 30 years of experience in international business, manufacturing, engineering, marketing and Internet commerce. He is responsible for management, marketing and new product design. Mr. Funk was educated in Germany where he attended high school and vocational college for automotive technology and graduated with honors receiving a bachelor degree in automotive technology. While living in Germany, he worked for Mercedes-Benz and was the assistant crew chief of a Porsche factory sponsored racing team. Mr. Funk moved to the United States in 1978, where upon he started Nology Engineering Inc., a California Corporation, which designs, manufactures and markets automotive products for the performance aftermarket. Mr. Funk is currently the CEO of Nology and Performance Stores. Mr. Funk is also the inventor of 7 registered and pending patents.

Richard Miller – Mr. Miller has more than 16 years of financial management and accounting experience. Prior to joining Omnitek, he served since 2010 as the controller for American Rim Supply, Inc., a privately held company based in Carlsbad, California. From 2006 to 2009 Mr. Miller served as assistant controller for Crestone Group, LLC, a Carlsbad-based commercial bakery with five manufacturing facilities. Earlier in his career from 2001 to 2006, he was a tax manager with J.H. Cohn, LLP, a regional full-service accounting firm headquartered in New Jersey. Mr. Miller is a certified public accountant and double majored in communications and psychology, earning a Bachelor of Arts degree with honors from the University of California, Los Angeles.

Janice M. Quigley – Mrs. Quigley was appointed as a Director of the Company on August 26, 2003 and appointed Vice President on September 9, 2011. Mrs. Quigley, a native of San Francisco, California, had worked in the electronics industry for 27 years prior to relocating to San Diego in 1992. Mrs. Quigley joined Advantage Lift Systems, Inc. (a manufacturer of heavy-duty vehicle hoists) in 1993 as its controller. She was promoted to Chief Financial Officer in 1997 when the company acquired Globe Lifts (a manufacturer of light-duty vehicle hoists). She remained in that position until October of 2000 when the company was sold. Mrs. Quigley is also the CFO for Nology Engineering, Inc.

George G. Chachas – Mr. Chachas was appointed as a Director of the Company on August 3, 2012, and is the principal of Chachas Law Group with experience in the area of corporate law, securities, and mergers and acquisitions. Prior to establishing Chachas Law Group in 2006, Mr. Chachas was a partner of Wenthur & Chachas, LLP from 1993 through 2005. Mr. Chachas received a J.D. from California Western School of Law in 1987, and also holds a B.A. (Economics) from San Diego State University in 1985. Mr. Chachas was admitted to the California Bar in 1987, the District of Columbia Bar in 1989 and the State Bar of Colorado in 1994.

Gary S. Maier – Mr. Maier was appointed as a Director of the Company on August 3, 2012, and is an investor relations veteran with more than 25 years of industry experience. Prior to establishing Maier & Company, Inc. in 2003, he was a principal of another Los Angeles-based investor relations firm. He has counseled diverse clients ranging in size from multi-billion dollar organizations to emerging growth public and private companies across the country. His career includes positions with an international public relations firm and a proxy solicitation firm offering investor relations services, both based in New York, as well as a Chicago-based financial relations agency. He is a long-time member of the National Investor Relations Institute. His experience also includes local and national political campaigns – including serving as the Illinois deputy press secretary for Walter Mondale's 1984 presidential campaign. Maier served as a board member for 18 years, including a term as president, of Veterans Park Conservancy, a non-profit community public/private partnership dedicated to the enhancement and preservation of four hundred acres of federal land to honor our nation's veterans. He served for several years on the board of Southern California's Colony Theater Company. Maier holds bachelor and master of philosophy degrees from Ohio University and completed course work toward a Ph.D. in philosophy at DePaul University. He served on the adjunct faculties of DePaul and Loyola University in Chicago and is a graduate of New York University's Graduate School of Business Administration's Careers in Business program.

John M. Palumbo – Mr. Palumbo is currently the CEO of Partschannel, Inc., a distributor of aftermarket collision replacement parts. Prior to this Mr. Palumbo was the CFO at Solar Integrated Technologies, Inc., and before that the CFO for Keystone Automotive Industries, Inc. (NASDAQ:KEYS). Mr. Palumbo holds a Bachelor of Science degree in finance from Canisius College in Buffalo New York and obtained his EMBA from Peter F. Drucker Claremont Graduate University in Claremont California. Mr. Palumbo is a Certified Public Accountant in the state of California. Additionally, Mr. Palumbo serves on the board of the Certified Automotive Parts Association (CAPA), an independent, non-profit certification organization dedicated to ensuring high-quality parts and standards for automotive collision replacement parts.

Directorships

No Director of Omnitek or person nominated or chosen to become a Director holds any other directorship in any company with a class of securities registered pursuant to section 12 of the Exchange Act or subject to the requirements of section 15(d) of such Act or any other company registered as an investment company under the Investment Company Act of 1940.

Involvement in Certain Legal Proceedings

During the past ten years, no present or former director, executive officer or person nominated to become a director or an executive officer of Omnitek has been or filed:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
 - i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - ii. Engaging in any type of business practice; or

- iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;
- 4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;
- 5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
- 6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- 7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
 - i. Any Federal or State securities or commodities law or regulation; or
 - ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
 - iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- 8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Promoters and Control Persons

None.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Omnitek's executive officers, directors and persons who own more than ten percent of the Omnitek's Common Stock, to file initial reports of beneficial ownership on Form 3, changes in beneficial ownership on Form 4 and an annual statement of beneficial ownership on Form 5, with the SEC. Such executive officers, directors and greater than ten percent shareholders are required by SEC rules to furnish Omnitek with copies of all such forms that they have filed.

Based solely on its review of the copies of such forms filed with the SEC electronically, received by Omnitek and representations from certain reporting persons, Omnitek believes that for the fiscal year ended December 31, 2015, all the officers, directors and more than 10% beneficial owners complied with the above described filing requirements.

Code of Ethics

On August 3, 2012, Omnitek, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer that is reasonably designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationship;
- Full, fair, accurate, timely and understandable disclosure in SEC reports and in other public communications;
- Compliance with applicable governmental laws, rules and regulations;
- Prompt internal reporting of violations of the code of ethics to appropriate person or persons identified in the code of ethics; and
- Accountability for adherence to the code of ethics.

The description of the Code of Ethics contained in this report is qualified in its entirety by reference to the full text of the Code of Ethics filed as Exhibit 14.01 to that certain Current Report on Form 8-K filed August 7, 2012. The Code of Ethics shall be available on Omnitek's website at www.omnitekcorp.com

Audit Committee and Audit Committee Financial Expert

Our board of directors is comprised of five directors, three of which are outside independent directors and make up the audit committee. John M. Palumbo, considered an audit committee financial expert, chairs our audit committee.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation paid to our Chief Executive Officer and those executive officers that earned in excess of \$100,000 during the twelve month periods ended December 31, 2015 and 2014 (collectively, the "Named Executive Officers"):

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Stock Award(s) (\$)	Option Awards \$	Non-Equity Incentive Plan Compensation	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(e)	(f)	(g)	(i)(1)	(j)
Werner Funk CEO, President, and Secretary	2015	\$ 133,654	(3)	\$ 84,741	-	\$ -	\$ 218,395
	2014	\$ 174,640	(3)	\$ 84,741	-	\$ 59,077	\$ 318,458
Janice M. Quigley Director and VP	2015	\$ 10,000	-	\$ 22,086	-	\$ 5,625	\$ 15,625
	2014	\$ 32,500	-	\$ 22,086	-	\$ 32,500	\$ 87,086
Richard Miller (2) CFO	2015	\$ 31,442	-	\$ 3,245	-	\$ -	\$ 34,687
	2014	\$ -	-	\$ -	-	\$ -	\$ -

(1) These amounts represent previously accrued unpaid salary owed from prior fiscal years.

(2) On July 27, 2015, Richard Miller was appointed to the Chief Financial Officer position.

(3) In 2015, Mr. Funk was to receive his base salary of \$203,846 according to his employment agreement with the Company. Mr. Funk actually received \$133,654 deferring \$70,192 of his 2015 salary. In 2014, Mr. Funk was to receive his base salary of \$179,166 according to his employment agreement with the Company. Mr. Funk actually received \$174,640, deferring \$4,526 of his 2014 salary.

Narrative Disclosure to Summary Compensation Table

On July 26, 2012, Omnitek entered into an Employment Agreement with, and to continue the employment of, Werner Funk, the President and CEO of the Company. The term of Employment Agreement began on November 1, 2012, (the "Effective Date") and shall continue for a period of five years until October 31, 2017, unless terminated earlier pursuant to other provisions of the Agreement. During the Employment Period, Omnitek agrees to pay Mr. Funk a Base Salary as follows:

November 1, 2012 through October 31, 2013	\$150,000 per year;
November 1, 2013 through October 31, 2014	\$175,000 per year;
November 1, 2014 through October 31, 2015	\$200,000 per year;
November 1, 2015 through October 31, 2016	\$225,000 per year; and
November 1, 2016 through October 31, 2017	\$250,000 per year.

In addition, Omnitek granted Mr. Funk a Stock Option pursuant to the 2011 Long-Term Incentive Plan, to purchase 400,000 shares of common stock, at an exercise price of \$2.56 per share representing 110% of the average of the closing price of the common stock as reported on the OTCBB for the prior 30 day period. One-sixtieth (1/60) of the total number of shares subject to the Options shall vest and become exercisable at the end of each month following the Effective Date on the same day of each month as the Effective Date, so that all shares subject to the Options will be fully vested on the fourth anniversary of the Effective Date. The Options will be exercisable for a period of seven years from the Effective Date.

On July 26, 2012, Omnitek also entered into an Employment Agreement with, and to continue the employment of, Janice M. Quigley, the Vice President and Chief Financial Officer of the Company. The term of Employment Agreement began on November 1, 2012, (the "Effective Date") and shall continue for a period of two years until October 31, 2014, unless terminated earlier pursuant to other provisions of the Agreement. During the Employment Period, Omnitek to pay Mrs. Quigley a Base Salary of \$60,000 per year. On August 17, 2013, Janice M. Quigley resigned as the Chief Financial Officer, however she remains a Vice President.

In addition, Omnitek granted Mrs. Quigley a Stock Option pursuant to the 2011 Long-Term Incentive Plan, to purchase 50,000 shares of common stock, at an exercise price of \$2.56 per share representing 110% of the average of the closing price of the common stock as reported on the OTCBB for the prior 30 day period. One-twenty-fourth (1/24) of the total number of shares subject to the Options shall vest and become exercisable at the end of each month following the Effective Date on the same day of each month as the Effective Date, so that all shares subject to the Options will be fully vested on the second anniversary of the Effective Date. The Options will be exercisable for a period of seven years from the Effective Date.

On November 3, 2015, Omnitek entered into an Employment Agreement with Richard Miller, the Chief Financial Officer of the Company. The term of Employment Agreement began on November 3, 2015, (the "Effective Date") and shall continue for a period of four years until November 2, 2019, unless terminated earlier pursuant to other provisions of the Agreement. During the Employment Period, Omnitek agrees to pay Mr. Miller a Base Salary of \$85,000 per year.

In addition, Omnitek granted Mr. Miller a Stock Option pursuant to the 2015 Long-Term Incentive Plan, to purchase 100,000 shares of common stock, at an exercise price of \$0.71 per share representing 110% of the average of the closing price of the common stock as reported on the OTCBB for the prior 15 trading day periods. One-forty eight (1/48) of the total number of shares subject to the Option shall vest and become exercisable at the end of each month following the Date of Grant the same day of each month as the Date of Grant, so that all shares subject to the Options will be fully vested on the fourth anniversary of the Date of Grant. The Options will be exercisable for a period of seven years from the Effective Date.

Copies of Mr. Funk and Mrs. Quigley's Employment Agreements were filed as Exhibit 10.01 and 10.02 on Form 8-K dated August 1, 2012. A copy of Mr. Millers Employment Agreement is attached hereto as Exhibit 10.01. The foregoing descriptions of the Employment Agreements are qualified in its entirety by reference to the full text of such agreements.

No Named Executive Officer exercised any options or SARs during the last completed fiscal year or owned any unexercised options or SARs at the end of the fiscal year.

There are no agreements or understandings for any executive officer to resign at the request of another person. None of our executive officers acts or will act on behalf of or at the direction of any other person.

Compensation of Directors

There was no compensation paid to any director who was a Named Executive Officer during the year ended December 31, 2015, other than that provided for attendance at meetings. The three outside independent directors received each, a non-qualified stock option grant to purchase twenty-five thousand (25,000) shares of Omnitek's common stock at an exercise price of \$0.85 per share on August 4, 2015. Such Options shall be exercisable for a period of seven years. The Option shall vest and be exercisable immediately.

There are no employment contracts, compensatory plans or arrangements, including payments to be received from Omnitek with respect to any Director that would result in payments to such person because of his or her resignation with Omnitek, or its subsidiaries, any change in control of Omnitek. There are no agreements or understandings for any Director to resign at the request of another person. None of our Directors or executive officers acts or will act on behalf of or at the direction of any other person.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2015

The following table provides information for the named executive officers on stock option holdings as of the end of 2015.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option Exercise Price (\$)	Option Expiration Date
Werner Funk	253,333	0	146,667	\$2.56	
Janice M. Quigley	50,000	0	0	\$2.56	10/31/2019
Richard Miller	4,170	0	95,830	\$0.71	11/2/2022

On September 1, 2006, the Board of Directors adopted the Omnitek Engineering Corp. 2006 Long-term Incentive Plan (the "2006 Plan"), under which 1,000,000 shares of Omnitek's Common Stock were reserved for issuance by Omnitek to attract and retain employees and directors of the Company and to provide such persons with incentives and awards for superior performance and providing services to Omnitek. The 2006 Plan was administered by a committee comprised of the Board of Directors of Omnitek or appointed by the Board of Directors, which has broad flexibility in designing stock-based incentives. The Board of Directors determines the number of shares granted and the option exercise price, pursuant to the terms of the Plan. On November 30, 2007, the Board of Directors authorized the increase of shares available under the 2006 Plan to 10,000,000 post-split adjusted shares. All shares underlying the 2006 Plan have now expired.

On August 3, 2011, the Board of Directors adopted the Omnitek Engineering Corp. 2011 Long-term Incentive Plan (the "2011 Plan"), under which 1,000,000 shares of Omnitek's Common Stock were reserved for issuance by Omnitek's to attract and retain employees and directors of Omnitek and to provide such persons with incentives and awards for superior performance and providing services to Omnitek. The 2011 Plan is administered by a committee comprised of the Board of Directors of Omnitek or appointed by the Board of Directors, which has broad flexibility in designing stock-based incentives. The Board of Directors determines the number of shares granted and the option exercise price, pursuant to the terms of the Plan.

On September 11, 2015, the Board of Directors adopted the Omnitek Engineering Corp. 2015 Long-term Incentive Plan (the "2015 Plan"), under which 2,500,000 shares of Company's Common Stock were reserved for issuance by the company to attract and retain employees and directors of the Company and to provide such persons with incentives and awards for superior performance and providing services to the Company. The 2015 Plan is administered by a committee comprised of the Board of Directors of Omnitek or appointed by the Board of Directors, which has broad flexibility in designing stock-based incentives. The Board of Directors determines the number of shares granted and the option exercise price, pursuant to the terms of the Plan.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

The following table sets forth the amount and nature of beneficial ownership of any class of Omnitek's voting securities of any person known to Omnitek to be the beneficial owner of more than five percent, as of the close of business on December 31, 2015.

(1)	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Owner	(4)
Title of Class			Percent of Class
Common Stock	Werner Funk Trust UDT 9/25/07 1333 Keystone Way, Suite 101 Vista, CA 92081	8,611,465 ⁽¹⁾ (2)	43.1%
Common Stock	Garber Family Trust DTD 02/13/02 1732 Emerald Isle Way Oxnard, CA 93035	1,044,655 ⁽³⁾	5.2%
Common Stock	Randall B. Garber 18351 Kenyon Avenue Lakeville, MN 55044	1,044,655	5.2%
Common Stock	Linda J. Francis Revocable Trust DTD 11/26/96 Meadowcreek Lane Copley, OH 44321	1,044,655 ⁽⁴⁾	5.2%

(1) This amount includes currently vested options to purchase 253,333 shares of Common Stock.

(2) Werner Funk, the Trustee of the Werner Funk Trust UDT 9/25/07 has sole voting and dispositive power of said shares.

(3) The Trustee(s) of the Garber Family Trust DTD 02/13/02, has sole voting and dispositive power as to all of the shares.

(4) The Trustee(s) of the Linda J. Francis Revocable Trust DTD 11/26/96, has sole voting and dispositive power as to all of the shares.

Security Ownership of Management

The following table sets forth the amount and nature of beneficial ownership of any class of Omnitek's voting securities of all of Omnitek's current directors and executive officers, as of the close of business on December 31, 2015.

(1)	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Owner	(4)
Title of Class			Percent of Class
Common Stock	Werner Funk Trust UDT 9/25/07 1333 Keystone Way Suite 101 Vista, CA 92081	8,611,465 ^{(1) (2)}	43.1%
Common Stock	Richard Miller 1333 Keystone Way Suite 101 Vista, CA 92081	4,170 ⁽³⁾	0.0%
Common Stock	Janice M. Quigley 1333 Keystone Way Suite 101 Vista, CA 92081	225,000 ⁽⁴⁾	1.1%
Common Stock	George G. Chachas 11682 El Camino Real Suite 100 San Diego, CA 92130	173,027 ⁽⁵⁾	0.9%
Common Stock	Gary S. Maier 815 Moraga Drive Suite 306 Los Angeles, CA 90049	144,500 ⁽⁶⁾	0.7%
Common Stock	John M. Palumbo 8905 Rex Road Pico Rivera, CA 90660	75,500 ⁽⁷⁾	0.4%
Common Stock	Directors and Executive Officers as a Group (6 persons)	9,233,662	46.2%

(1) This amount includes currently vested options to purchase 253,333 shares of Common Stock.

(2) Werner Funk, the Trustee of the Werner Funk Trust UDT 9/25/07 has sole voting and dispositive power of said shares.

(3) This amount includes currently vested options to purchase 4,170 shares of Common Stock.

(4) This amount includes currently vested options to purchase 50,000 shares of Common Stock.

(5) This amount includes currently vested options to purchase 100,000 shares of Common Stock; warrants to purchase 29,527 shares of Common Stock, and 43,000 shares of Common Stock held in the name of Tuva Co., LLC, over which Mr. Chachas has sole voting power.

(6) This amount includes currently vested options to purchase 100,000 shares of Common Stock and a warrant to purchase 20,000 shares of stock.

(7) This amount includes currently vested options to purchase 75,000 shares of Common Stock.

Changes in Control

To the best of Omnitek's knowledge there are no present arrangements or pledges of Omnitek's securities, which may result in a change in control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

Werner Funk, the President, CEO, and a Director of Omnitek, is the principal shareholder and the President, CEO, Secretary and a Director of Nology Engineering, Inc., a non-public California corporation that designs, manufactures and markets automotive products for the performance aftermarket. Mr. Funk is also a shareholder, the President, CEO, Secretary and a Director of Performance Stores, Inc., a Nevada corporation, which is an internet based e-commerce site selling automotive performance parts.

Janice M. Quigley is a Vice President and Director of Omnitek, as well as a shareholder. She also serves as the Chief Financial Officer of Nology Engineering, Inc.

Richard Miller is the Chief Financial Officer of Omnitek and is a shareholder. He also serves as the controller of Nology Engineering, Inc.

Omnitek has not been a party to any transactions between persons who were executive officers, directors, or principal stockholders of our corporation during the fiscal years ended December 31, 2015 and 2014.

Except as set forth above, none of the following parties have, since our date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us.

Review, Approval or Ratification of Transactions with Related Persons

Not Applicable.

Promoters and Certain Control Persons

There have been no material transactions, series of similar transactions, currently proposed transactions, or series of similar transactions, to which Omnitek is to be a party, in which any promoter or founder, or any member of the immediate family of any of the foregoing persons, had a material interest.

Director Independence

The Board has determined that three of Omnitek's Directors have met the independence requirements based upon the application of objective categorical standards adopted by the Board. In making a determination regarding a Director's independence, the Board considers all relevant facts and circumstances, including the Director's commercial, banking, consulting, legal, accounting, charitable and familial relationships and such other criteria as the Board may determine from time to time.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

During the fiscal year ended December 31, 2015, we incurred approximately \$28,500 in fees to our principal independent accountants for professional services rendered in connection with the audit and reviews of our financial statements for fiscal year ended December 31, 2015.

During the fiscal year ended December 31, 2014, we incurred approximately \$25,500 in fees to our principal independent accountants for professional services rendered in connection with the audit and reviews of our financial statements for fiscal year ended December 31, 2014.

Audit-Related Fees

The aggregate fees billed during the fiscal years ended December 31, 2015 and 2014 for assurance and related services by our principal independent accountants that are reasonably related to the performance of the audit or review of our financial statements (and are not reported under Item 9(e)(1) of Schedule 14A) was \$0 and \$0, respectively.

Tax Fees

The aggregate fees billed during the fiscal years ended December 31, 2015 and 2014 for professional services rendered by our principal accountant tax compliance, tax advice and tax planning was \$1,850 and \$1,250, respectively.

All Other Fees

The aggregate fees billed during the fiscal years ended December 31, 2015 and 2014 for products and services provided by our principal independent accountants (other than the services reported in Items 9(e)(1) through 9(e)(3) of Schedule 14A) was \$0 and \$0, respectively.

PART IV.

ITEM 15. EXHIBITS

(a) Financial Statements.

(i) The Balance Sheet of Omnitek Engineering Corp. as of December 31, 2015 and 2014, the Statements of Operations for the years ended December 31, 2015 and 2014, the Statements Stockholders' Equity (Deficit) from December 31, 2012 to December 31, 2015, and of Cash Flows for the years ended December 31, 2015 and 2014, and together with the notes thereto and the reports of Sadler, Gibb & Associates, LLC thereon appear in Item 8 and are included in this report.

(b) **Exhibits.** The following exhibits are either filed as a part hereof or are incorporated by reference. Exhibit numbers correspond to the numbering system in Item 601 of Regulation S-K.

Exhibit Number	Description of Exhibit
10.01	Employment Agreement – Richard Miller
31.01	Certification of CFO Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith
31.02	Certification of CFO Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith
32.01	Certification Pursuant to Section 1350 of Title 18 of the United States Code, filed herewith

All exhibits are numbered with the number preceding the decimal indicating the applicable SEC reference number in Item 601 and the number following the decimal indicating the sequence of the particular document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 30, 2016

Omnitek Engineering Corp.




By: Werner Funk
Its: President and Secretary,
CEO and Principal Executive Officer

Dated: March 30, 2016

/s/ Richard Miller
By: Richard Miller
Its: Chief Financial Officer
and Principal Accounting Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Dated: March 30, 2016



Werner Funk, Director

Dated: March 30, 2016

/s/ Janice M. Quigley
Janice M. Quigley, Director

Dated: March 30, 2016

/s/ George G. Chachas
George G. Chachas, Director

Dated: March 30, 2016

/s/ Gary S. Maier
Gary Maier, Director

Dated: March 30, 2016

/s/ John M. Palumbo
John M. Palumbo, Director

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") dated as of November 3, 2015 (the "Effective Date") is entered into by and between **Omnitek Engineering Corp.**, a California corporation (the "Company" or "Omnitek"), and **Richard L. Miller**, an individual ("Employee").

RECITALS

- A.** Whereas, the Company desires to employ Employee on the terms and conditions and for the consideration hereinafter set forth for the period provided herein commencing upon the Effective Date, and Employee desires employment with the Company on such terms and conditions and for such consideration as set forth herein;
- B.** Whereas, Employee possesses significant capabilities and knowledge important for the development of the Company's business and the Company desires to provide incentive to Employee to provide services to the Company;
- C.** Whereas, Employee will acquire, during the term of Employee's employment, significant knowledge and experience in the Company's business and intimate knowledge of its customers, processes, trade secrets, and/or other business information, and the Company needs to protect its commercial goodwill and other assets; and,
- D.** Whereas, Employee has agreed to the confidentiality and non-competition provisions set forth in this Agreement as partial consideration for the payment of certain compensation as hereinafter provided.

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the above stated Recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment.

(a) **Employment Period.** The Company hereby agrees to employ Employee and Employee hereby agrees to accept the employment with the Company on the terms and conditions set forth herein. The term of Employee's employment hereunder shall begin on the Effective Date and shall continue for a period of four (4) years (the "Initial Term"), unless terminated earlier pursuant to other provisions of this Agreement.

(b) **Renewal.** At the end of the Initial Term, the Agreement will renew for an additional one year, and continue to renew each year thereafter (on the anniversary of the Effective Date) unless terminated pursuant to other provisions of this Agreement. The period during which Employee remains an employee of the Company may be referred to herein as the "Employment Period").

2. Former Agreements.

(a) Employee represents, acknowledges and agrees that Employee is not a party to, bound by, or subject to any restrictions under any former Employment, Non-Compete, Non-solicitation or other similar type of agreement ("Former Agreements"); and

(b) Employee acknowledges and agrees that from and after the Effective Date, including upon the termination of this Agreement or Employee's employment pursuant to this Agreement, Employee's rights (if any) to salary, compensation, severance and any other benefits shall be determined solely under this Agreement.

3. Position and Responsibilities.

(a) Employee shall be the Chief Financial Officer of the Company, and shall have duties and responsibilities commensurate with such position and shall perform in general all duties incident to the office and such other duties and responsibilities as may be reasonably requested from time to time by the Chief Executive Officer or Board of Directors of the Company.

4.

(b) Employee agrees that while employed by the Company, Employee will devote Employee's full time, taking into consideration Employee's position, applying Employee's attention, skill and best efforts to the faithful performance of Employee's duties hereunder in a professional manner, to the exclusion of any other occupation. Due to the nature of Employee's position, Employee agrees that Employee will work those hours reasonably necessary to complete Employee's duties hereunder, even if such duties require Employee to work outside of normal business hours. Employee agrees that in the performance of such duties and in all aspects of employment, Employee will comply with the policies, standards, work rules, strategies and regulations established from time to time by the Board of Directors of the Company. Employee acknowledges that during the Employment Period, the Board of Directors of the Company may assign Employee duties, titles or positions that are different than those that Employee performs on the date hereof. The Company's corporate office (the "Corporate Office") is located in Vista, California or such other place as determined by the Board of Directors from time to time.

4. Compensation and Other Benefits.

(a) **Salary.** During the Employment Period, for the performance of Employee's duties under this Agreement, the Company shall pay Employee a base Salary (the "Salary") (less applicable federal, state and local income tax, withholding and other payroll taxes) of Eighty-Five Thousand dollars (\$85,000) per annum. The Salary shall be payable in accordance with the Company's customary payroll procedure for its other executives. The Company shall review Employee's Salary on at least an annual basis and may increase, but not decrease, the Salary.

(b) **Equity Participation.** The Company shall grant to Employee options to purchase up to one hundred thousand (100,000) shares of the Company's Common Stock (as adjusted for stock splits, combinations, recapitalizations, and the like occurring on and after the Effective Date) (such options the "Options"), with an exercise price representing 110% of the average of the closing price of the common stock as reported on the OTCBB for the prior 15 trading days periods on Date of Grant. One-fourty eight (1/48) of the total number of shares subject to the Option shall vest and become exercisable at the end of each month following the Date of Grant on the same day of each month as the Date of Grant, so that all shares subject to the Options will be fully vested on the fourth anniversary of the Effective Date. The Options will be exercisable for a period of seven (7) years from the Date of Grant will be incentive stock options to the extent permitted by applicable law. All stock options, whether granted during the employment term or any additional term of employment, will be granted pursuant to the Company's 2011 Long-Term Incentive Plan, as it may be amended and adopted from time to time. The Company shall deliver the Stock Option Agreement as soon as practicable following the Effective Date (and in no case later than 15 days following the Effective Date).

(c) **Benefits.** During the Employment Period, Employee shall be entitled to the benefits of such group medical, travel and accident, short- and long-term disability, and term life insurance (collectively, "Benefit Plans"), if any, as the Company shall make generally available from time to time to the Company's Executive officers, subject to and on a basis consistent with the terms, conditions and overall administration of such Benefit Plans.

(d) **Other.** During the Employment Period, Employee and, to the extent applicable, Employee's family, dependents, and beneficiaries, shall be allowed to participate in all benefits, plans, and programs, including improvements or modifications of the same, that are now or may hereafter be available to Executive officers of the Company generally. Such benefits, plans, and programs may include a profit sharing plan, a thrift plan, group medical insurance, dental insurance, vision insurance, travel and accident insurance, short-term and long-term disability insurance, life insurance, and a pension plan. The Company shall not, however, by reason of this subsection be obligated to institute, maintain, or refrain from changing, amending, or discontinuing any such benefit plan or program, so long as such changes are similarly applicable to Executive officers of the Company generally.

(e) **Bonuses.** Employee shall be eligible for additional bonus payments, which amounts, if any, shall be determined by the compensation committee of the Company's board of directors in its sole discretion in accordance with performance-based criteria applicable generally to the executive-level employees of the Company.

(f) **Vacation and Holidays.** During the Employment Period, Employee shall be entitled to annual paid vacation of two (2) weeks, plus all paid holidays recognized by the Company.

(g) **Travel Expenses.** Employee shall be entitled to reimbursement of all reasonable expenses incurred by him in the performance of Employee's services hereunder in accordance with the policies of the Company as established from time to time, and shall furnish to the Company such records and receipts as may be necessary to verify the foregoing expenses.

(h) **Withholding.** Employee acknowledges that the Company will withhold from amounts owing to him under this Agreement all appropriate income taxes, payroll taxes, and similar amounts as may be required by applicable laws.

5. **Termination; Severance Benefits.**

(a) **Termination for Cause.** Notwithstanding anything to the contrary contained herein, the Company may terminate the employment of the Employee at any time during the Employment Period, effective immediately, For Cause. "**For Cause**" shall mean any of the following:

(i) Employee's failure, on a repeated basis, in the reasonable judgment of the Company's Board of Directors, to perform Employee's assigned duties or responsibilities in accordance with Section 3 of this Agreement (other than a failure resulting from the Employee's Disability);

(ii) Employee engages in illegal conduct that is materially injurious to the Company;
Employee violates a federal or state law or regulation directly or indirectly applicable to the business of the Company, which violation is or was reasonably likely to be injurious to the Company;

(iii) Employee's breach of the terms of any confidentiality agreement or invention assignment agreement between Employee and the Company, or any of the covenants contained in Section 6 of this Agreement;

(iv) Employee fails to comply with the direction of the Board of Directors of the Company or violates standards of conduct or work rules the violation of which is grounds for dismissal of an employee of the Company;

(v) Employee's repeated misuse (following at least one written warning from the Company) of alcohol, narcotics, or other controlled substances that is materially detrimental to the Company and that materially interferes with Employee's performance of Employee's duties hereunder;

(vi) Employee being convicted of, or entering a plea of nolo contendere to, a felony or committing any act of moral turpitude or fraud against, or misappropriates property belonging to, the Company.

If Employee's employment is terminated for Cause, he shall be entitled to any earned but unpaid Base Salary through the Termination Date, , credit for any vacation accrued (on a time apportioned basis through the Termination Date) but not taken, reimbursement for expenses properly reimbursable and not previously reimbursed through the Termination Date, and employee benefits to which Employee is then entitled as expressly provided in Benefit Plans in which Employee participates, but shall not be entitled to any severance compensation or any other benefits; and the Company shall have no further obligation to Employee under this Agreement.

(b) Notice of Termination. In all cases other than Section 5(a)(vi) above, prior to the Company having the right to terminate Employee's employment with the Company For Cause pursuant to Section 5(a): (1) the Company's Board of Directors must first provide written notice to Employee describing in reasonable detail the basis upon which the Company would terminate Employee's employment with the Company (the "Notice of Intent to Terminate") for Cause and the Employee must have had the opportunity not less than ten (10) nor more than thirty (30) days after the written notice, to address the Company's full Board of Directors, with counsel, regarding such alleged basis for termination; and (2) Employee shall have failed, in the sole judgment of a majority of the Board of Directors, during the period from the date of receipt of the Notice of Intent to Terminate and the date which the Employee addresses the Board of Directors, to remedy any such alleged basis for "For Cause" termination. In the event that the Board of Directors decides after the above procedure to terminate Employee For Cause, Employee's employment shall be terminated immediately. In the event that the basis for "For Cause" termination is due to a violation described in Section 5(a)(vi) above, the Board of Directors shall provide Employee with a notice of termination ("Notice of Termination") which: (i) indicates the specific termination provision of this Agreement relied upon; (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under Section 5(a)(vi); and (iii) specifies the Termination Date.

(c) Disability of Employee. Upon the Disability of Employee for a continuous period of 180 days, the Company may terminate the employment of Employee. On termination pursuant to this Section 5(c), the Employment Period shall end immediately and the Company shall: (i) pay Employee's Base Salary through the end of the month in which such termination occurs, plus credit for any vacation accrued (on a time-apportioned basis through the Termination Date) but not taken; (ii) reimburse Employee for expenses properly reimbursable and not previously reimbursed; and (iii) pay or otherwise make available to Employee benefits to which Employee is then entitled as expressly provided in Benefit Plans in which Employee participates. In such event, Employee shall not be entitled to any severance

compensation or any other employee benefits and the Company shall have no further obligation to Employee under this Agreement.

(d) Death of Employee. Upon the death of Employee, this Agreement shall terminate and the Employment Period shall end immediately. The Company shall thereupon pay or otherwise make available to Employee's executor, administrator or other legal representative: (i) Employee's Base Salary through the end of the month in which death occurs, plus credit for any vacation accrued (on a time-apportioned basis through the Termination Date) but not taken; (ii) reimbursement for expenses properly reimbursable and not previously reimbursed; and (iii) benefits to which Employee's executor, administrator or other legal representative is then entitled as expressly provided in Benefit Plans in which Employee participates. In such event, Employee's executor, administrator or other legal representative shall not be entitled to any severance compensation or any other employee benefits, and the Company shall have no further obligation to Employee or Employee's executor, administrator or other legal representative under this Agreement.

(e) Other Termination by Company. The Company shall have the right to terminate Employee's employment at any time other than pursuant to any of Sections 5(a) through 5(d) above by giving thirty (30) days' prior written notice to Employee. On termination pursuant to this Section 5(e), Employee shall be entitled to Base Salary for a period of six (6) months from the Termination Date, plus credit for any vacation accrued (on a time apportioned basis through the Termination Date) but not taken, reimbursement for expenses properly reimbursable but not previously reimbursed through the Termination Date, and employee benefits to which Employee is entitled as of the Termination Date as expressly provided in benefit plans in which Employee participates, but shall not be entitled to any other severance compensation or any other benefits and the Company shall have no further obligation to Employee under this Agreement.

(f) Termination by Employee for Good Reason. Employee shall have the right (unless the Company shall have theretofore terminated Employee's employment pursuant to any other provision of this Agreement) to terminate Employee's employment at any time for Good Reason (as hereinafter defined) by giving thirty (30) days' prior written notice to the Company; provided that: (i) on receipt of such notice, the Company shall have the right, by written notice to Employee, to cause the termination pursuant to this Section 5(f) to be effective at any earlier date within such thirty (30) day period, and (ii) the Company shall nevertheless have the right and power to terminate Employee's employment For Cause pursuant to Section 5(a) during such thirty (30) day period, which right shall not be limited or otherwise affected by any action taken by Employee pursuant to this Section 5(f), and if the Company terminates Employee's employment pursuant to Section 5(a) during such thirty (30) day period, Employee's notice of termination pursuant to this Section 5(f) shall be void and of no effect. On termination pursuant to this Section 5(f), Employee shall be entitled to Base Salary for a period of six (6) months from the Termination Date, plus credit for any vacation accrued (on a time apportioned basis through the Termination Date) but not taken, reimbursement for expenses properly reimbursable but not previously reimbursed through the Termination Date, and employee benefits to which Employee is entitled as of the Termination Date as expressly provided in Benefit Plans in which Employee participates, but shall not be entitled to any other severance compensation or any other employee benefits and the Company shall have no further obligation to Employee under this Agreement.

As used herein, "Good Reason" shall mean: (i) the Company has failed to assign to the Employee duties or the reduction of the Employee's duties, on a consistent basis, which results in a significant diminution in the Employee's position or responsibilities with the Company; (ii) a substantial reduction, without good business reasons, as determined by the Company's Board of Directors, of the

facilities and perquisites (including office space and location) available to the Employee; or (iii) any material breach by the Company of any material provision of this Agreement.

(g) Termination by Employee without Good Reason. Employee shall have the right to terminate Employee's employment at any time without Good Reason by giving thirty (30) days' prior written notice to the Company; provided that, (i) on receipt of such notice, the Company shall have the right, by written notice to Employee, to cause the termination to be effective at any earlier date within such thirty (30) day period, and (ii) the Company shall nevertheless have the right and power to terminate Employee's employment For Cause pursuant to Section 5(a) during such thirty (30) day period, which right shall not be limited or otherwise affected by any action taken by Employee pursuant to this Section 5(g), and if the Company terminates Employee's employment pursuant to Section 5(a) during such thirty (30) day period, Employee's notice of termination pursuant to this Section 5(g) shall be void and of no effect. On termination pursuant to this Section 5(g), Employee shall be entitled to any earned but unpaid Base Salary through the Termination Date, , credit for any vacation accrued (on a time apportioned basis through the Termination Date) but not taken, reimbursement for expenses properly reimbursable and not previously reimbursed through the Termination Date, and benefits to which Employee is then entitled as expressly provided in Benefit Plans in which Employee participates, but shall not be entitled to any severance compensation or any other employee benefits; and the Company shall have no further obligation to Employee under this Agreement.

6. Inventions, Confidential Information, Competition and Related Matters.

(a) Assignment of Inventions. Employee agrees that Employee will promptly and fully disclose to the Company, and the Company agrees to keep confidential, all inventions, designs, creations, processes, technical or other developments, improvements, ideas, concepts and discoveries (collectively, "Inventions"), whether patentable or not, and all copyrightable works of any type or medium ("Works"), of which Employee has obtained or obtains knowledge or information during the Employee's employment with the Company and which relate to, any research or experimental, developmental or creative work carried on or contemplated by the Company, or the Products or Services of the Company. All Inventions and Works are and shall remain the exclusive property of the Company. Employee agrees that Employee will assign, and hereby does assign, to the Company or its designee, all of Employee's right, title and interest in and to all Inventions (whether patentable or not) and all Works, conceived, originated, made, developed or reduced to practice by Employee, alone or with others, during Employee's employment by the Company (whether before, on or after the date of this Agreement). All Works are and shall be deemed to be "works for hire" under 17 U.S.C. §101 of the U.S. Copyright Act of 1976 and all other applicable laws and regulations.

During Employee's employment with the Company and for a period of one (1) year after any termination for any reason of such employment, Employee agrees to assist the Company to obtain any and all patents, copyrights, trademarks and service marks relating to Inventions and Works and to execute all documents and do all things necessary to obtain letters patent and copyright, trademark and service mark registrations therefor, to vest the Company or its designee with full and exclusive title thereto, and to protect the same against infringement by others, all as and to the extent that the Company may reasonably request and at the Company's expense, for no consideration to the Employee other than the Employee's compensation, if any, under Section 4.

Notwithstanding any of the foregoing provisions of this Section 6(a) to the contrary, this Section 6(a) shall not apply to an Invention or Work developed entirely on Employee's own time without using the Company's equipment, supplies, facilities or trade secret information, except for those Inventions and Works that either (a) relate at the time of conception or reduction to practice of the Invention or Work to the Company's business, Products or Services, or to demonstrably anticipated research or development of the Company, or (b) result from any work performed by Employee for the Company. Employee

acknowledges that the preceding sentence constitutes the notification required by California Labor Code Section 2872. Employee has listed on Attachment A to this Agreement, which the Company agrees to keep confidential, all unpatented Inventions owned, conceived, originated, made, developed or reduced to practice by Employee (whether before or during Employee's employment with the Company) qualifying for the exception in the first sentence of this paragraph.

(b) Restrictions on Use and Disclosure of Information. Documents prepared by Employee or other employees or agents of the Company and Confidential Information that might be given to Employee in the course of performing Employee's duties hereunder are the exclusive property of the Company and shall remain in the Company's possession on the Company's premises or at such location designated by the Board of Directors of the Company. Under no circumstance shall any such Confidential Information or documents be removed without the written consent of the Board of Directors of the Company first being obtained.

Immediately at any time on request by the Company and in any event upon the expiration or termination of Employee's employment under this Agreement, regardless of the reason therefor, Employee shall forthwith deliver to the Company all documents, procedural manuals, guides, specifications, formulae, plans, drawings, flow charts, designs and other materials, records, data bases, computer disks or printouts, customer lists and compilations of special information on customer requirements, notebooks and similar repositories of Confidential Information and Inventions, including all copies thereof, whether prepared by Employee or others.

Employee acknowledges and agrees that the Confidential Information is regularly used or contemplated to be used in the business of the Company, is owned by the Company and is held in confidence by the Company. Except as required by Employee's duties hereunder, Employee agrees that he shall never, directly or indirectly, use, publish, disseminate or otherwise disclose to any person or entity any Confidential Information or Inventions without the prior written consent of the Board of Directors of the Company, or as otherwise required by law or legal process. Nothing contained in this Section 6(b) shall prevent disclosure of information which previously has been completely disclosed in a published patent or other publication of general circulation, or otherwise been disclosed without restrictions to third parties by the Company or its Affiliates. Employee further agrees that Employee will immediately and fully inform the Company of any actual or suspected disclosure to or use by any third party of any Confidential Information of which Employee gains knowledge while employed by the Company or any of the Company's predecessors in interest.

(c) Restrictive Covenants; Non-competition; Non-Solicitation; Non-Interference; Non-Inducement. The parties recognize that an important part of the duties of Employee hereunder and the value to be received by the Company from Employee's services is the preservation and improvement of the goodwill and customer relationships of the Company. The parties desire to protect the Company against any attempt by Employee to compete with the Company so as to appropriate the goodwill and customer relationships of the Company. Accordingly, Employee agrees that Employee shall not directly or indirectly:

(i) For so long as Employee is employed by the Company, own an interest, join, operate, control, participate in or be connected, as an officer, director, manager, employee, agent, independent contractor, consultant, member, partner, shareholder or principal, with any corporation, limited liability company, partnership, joint venture, proprietorship, association or other entity or person engaged in the business of selling or distributing any of the Products or Services or similar products or services anywhere in the World (it being acknowledged that the market for the Products and Services is global); or

(ii) For so long as Employee is employed by the Company, sell to or solicit purchases of Products by customers who were customers or prospective customers of the Company, its predecessors in interest or its Affiliates at any time during the term of Employee's employment with the Company before, on or after the date of this Agreement; or

(iii) For so long as Employee is employed by the Company and for two (2) years from the Termination Date, interfere or attempt to interfere with any contractual or business relationship or prospective business advantage of the Company; or,

(iv) For so long as Employee is employed by the Company and for two (2) years from the Termination Date, induce or attempt to induce any employee of the Company to leave the Company's employ or any consultant of the Company to terminate engagement with the Company.

Notwithstanding anything to the contrary contained herein, nothing in this Section 6(c) shall prevent Employee from owning, directly or indirectly, securities of, or otherwise participating in the ownership of, any publicly-owned business which is engaged in the business of developing, manufacturing, selling or distributing Products and Services, so long as Employee shall not own more than five (5) percent of the total equity interest and shall not be in control of such business and the fair value of Employee's ownership interests in such business.

(d) **Non-disparagement.** Employee shall not, during Employee's employment or at any time after the Termination Date (i) attempt or seek to cause any of the customers of the Company to refrain from maintaining, selling to, or acquiring from or through the Company any service or product relating to the Company's business as conducted during the term of this Agreement; or (ii) openly disparage the Company or any of its equity holders, directors, officers, employees, advisors or agents, which has or may reasonably be expected to have a material adverse effect on a current or prospective business relationship with a current or prospective customer, supplier, vendor, investor, direct or indirect equity owner, director, employee, advisor, agent or creditor.

(e) **Return of Information.** Upon termination or expiration of this Agreement, or at any time the Company may request, the Employee shall return to the Company, and will not keep in Employee's possession, all Confidential Information, including documents, drawings, computer files, or any other information in tangible form.

(f) **Legal Duties.** Employee acknowledges and agrees that Employee's agreements herein are intended to implement certain of Employee's duties under federal and state laws, such as California Labor Code section 2860, which provides:

"Everything which an employee acquires by virtue of Employee's employment, except the compensation which is due to Employee from Employee's employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of employment."

Nothing in this Agreement shall be interpreted or construed as limiting Employee's obligations or the Company's rights under any of such laws.

(g) Remedies on Breach of Section 6.

(i) Effect of Breach. The Company and Employee hereby stipulate that, as between them, that Confidential Information and Inventions are important, material, and confidential and that disclosure of that information will gravely affect the successful conduct of the Company's business and its goodwill and that any breach of the terms of this Section 6 is a material breach of this Agreement.

(ii) Remedies. Employee acknowledges that any failure to comply with the provisions of this Section 6 shall cause irreparable harm to the Company and that money damages alone would be insufficient to compensate the Company. Employee therefore agrees that any court having jurisdiction may enter a preliminary or permanent restraining order or injunction against Employee in the event of actual or threatened breach of any of the provisions of this Section 5, without any necessity for the Company to post any bond or other security in connection therewith. Any such relief shall not preclude the Company from seeking any other relief at law or equity with respect to any such claim.

(iii) Blue-Pencil. If any court of competent jurisdiction shall at any time determine that any particular covenant in this Section 6 is too restrictive, the other provisions of this Section 6 shall nevertheless remain in effect. Upon such determination(s), the covenants herein shall be deemed to be the most restrictive permissible by law under the circumstances. This Agreement shall be modified to incorporate the final determination(s) made in each case the court makes such determination(s).

(h) Nondisclosure to the Company. Employee represents, warrants and agrees that Employee does not possess and will not use, in connection with Employee's employment by the Company, and will not disclose to the Company, any trade secrets or other confidential or proprietary information or intellectual property in which any other person has any right, title or interest, without the express authorization of such other person. Employee represents and warrants that Employee's employment by the Company as contemplated hereby will not infringe or violate the rights of any other corporation, limited liability company, partnership, trust, proprietorship, association or other entity or person.

(i) Trade Secrets of Third Parties. Employee acknowledges and understands that, in dealing with existing and potential suppliers, customers, contracting parties and other third parties with which the Company has business relations or potential business relations, the Company may receive confidential and proprietary information and materials from such third parties subject to the Company's understanding that the Company will maintain the confidentiality thereof and will require its employees and consultants to do so. Employee agrees to treat all such information and materials as Confidential Information subject to this Agreement.

(j) Survival. The representations, warranties and agreements in this Section 5 shall survive any cancellation, termination, rescission or expiration of this Agreement and any termination of Employee's employment with the Company.

7. Entire Agreement.

This Agreement constitutes the entire agreement between the parties and supersedes any prior or contemporaneous oral or written communications, representations or agreements with respect to the subject matter hereof.

8. Miscellaneous.

(a) **Amendment.** This Agreement shall be amended only by a written document signed by each party hereto.

(b) **Notice.** All notices, consents, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given: (a) when received by facsimile or similar device, if subsequently confirmed by a writing sent within 24 hours after the giving of such notice; (b) upon receipt if delivered personally; (c) five (5) days following deposit in the United States mail by certified first class mail, postage prepaid; or (d) on the date of receipt, if sent by a recognized national or international overnight delivery service; and in any case, addressed as follows:

If to the Company, addressed to:

Ommitek Engineering Corp.
Attn: Werner Funk
1333 Keystone Way, #101
Vista, California 92081
Facsimile No.: (760) 591-0880

If to the Employee, addressed to:

Richard L. Miller
1628 Jerrilyn Place
Encinitas, CA 92024

Each party shall give prompt written notice to the other parties of any change of address. No change in any of such addresses shall be effective insofar as such notices and other communications are concerned, unless notice of such change shall have been given to the other party hereto as provided in this Section 8(b).

9. Construction. The titles and headings to the Sections and paragraphs contained in this Agreement are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. When the context so requires, references herein to the singular number include the plural and vice versa and pronouns in the masculine or neuter gender include the feminine.

10. Successors and Assigns; Third Party Beneficiaries. This Agreement shall be binding upon and shall inure to the benefit of the executors, guardians, administrators, heirs, legatees, successors and assigns of the Company and Employee. No other person not a party hereto shall derive any rights hereunder or be construed to be a third party beneficiary thereof.

11. Assignment. The Company may assign this Agreement or any or all of its rights under this Agreement and delegate any or all of its obligations under this Agreement. Without the prior written consent of the Company, Employee shall not assign this Agreement or any rights hereunder, or delegate any duties hereunder, voluntarily or involuntarily, by operation of law or otherwise and any such assignment or delegation by

Employee that may be attempted or purported without the Company's consent shall be void and of no effect.

12. **Waiver.** No waiver by a party at any time of any breach by the other party of, or compliance by the other party with, any provision of this Agreement to be performed by the other party shall be deemed a waiver of any other provision at the same time or at any prior or subsequent time.

13. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the internal substantive laws of the State of California, without regard to its conflicts of law provisions.

14. **Consent to Jurisdiction and Venue.**

(a) **Jurisdiction.** Each of the parties hereto hereby consents to the jurisdiction of all state and federal courts located in San Diego County, California, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, for the purpose of any suit, action, or other proceeding arising out of, or in connection with, this Agreement or any of the transactions contemplated hereby, including any proceeding relating to ancillary measures in aid of arbitration, provisional remedies, and interim relief, or any proceeding to enforce any arbitral decision or award. Each party hereby expressly waives any and all rights to bring any suit, action, or other proceeding in or before any court or tribunal other than the courts described above and covenants that it shall not seek in any manner to resolve any dispute other than as set forth in this section, or to challenge or set aside any decision, award, or judgment obtained in accordance with the provisions hereof.

(b) **Venue.** Each of the parties hereto hereby expressly waives any and all objections it may have to venue, including the inconvenience of such forum, in any of such courts. In addition, each party consents to the service of process by personal service or any manner in which notices may be delivered hereunder in accordance with this Agreement.

15. **Waiver of Jury Trial.** The Parties hereto hereby voluntarily and irrevocably waives trial by jury in any Proceeding brought in connection with this Agreement, any of the related agreements and documents, or any of the transactions contemplated hereby or thereby. For purposes of this Settlement Agreement, "Proceeding" includes any threatened, pending, or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing, or any other actual, threatened, or completed proceeding, whether brought by or in the right of any party or otherwise and whether civil, criminal, administrative, or investigative, in which a Party was, is, or will be involved as a party or otherwise.

16. **Severability.** The provisions of this Agreement shall be deemed to be severable, and if any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall be strictly construed and shall not affect the validity or effect of any other provision hereof, and the parties shall use all reasonable efforts to amend or replace the invalid or unenforceable provision in a manner that implements as nearly as possible the parties' original intent with respect to such provision, to the extent practicable.

17. **Execution in Counterparts and by Facsimile.** This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument, and shall become a binding agreement when one or more counterparts have been signed and delivered by each party. Any party may execute this Agreement by facsimile signature and

the other parties will be entitled to rely on such facsimile signature as evidence that this Agreement has been executed by such party.

18. **Definitions.** For the purposes of this Agreement, the terms below shall have the indicated meanings.

(a) An "**Affiliate**" of, or person "**Affiliated**" with a specified person, as used in this Agreement, shall mean a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified.

(b) "**Confidential Information**" shall mean trade secret and other confidential or proprietary information of the Company, its predecessors in interest, or any Affiliate of the Company or its predecessors in interest, whether or not marked or identified as Confidential Information. Without limiting the generality of the foregoing definition, Confidential Information shall include: data related to the Products, including research and development work, information regarding patents, patent applications, designs, trade secrets, trade dress, trademarks, service marks, trademark and service mark applications, trade names and computer programs and codes; material and work products; names, addresses and information concerning former, existing and prospective customers/clients; names, addresses and information concerning all contacts at all such customers/clients; all agreements with all former, existing and prospective customers/clients; costing, pricing and estimation procedures and formulae regarding proposals and other uses; sales, profit and loss, profit margin, production costs, overhead and other bookkeeping and accounting information; all information regarding business development and marketing; names, addresses and information concerning all contacts at the Company's vendors and suppliers and the vendors and suppliers of its predecessors in interest or its Affiliates; costs and contents of proposals by or to and agreements with all such vendors and suppliers; confidential information revealed to the Company, its predecessors in interest or its Affiliates by third parties and which the Company is obligated to keep confidential; information contained in manuals, memoranda, plans, drawings and designs, formula books, specifications, flow charts, computer discs, tapes, and other media programs and printouts of the Company or any of its predecessors in interest or Affiliates; and other books and records of the Company.

(c) "**Disability**" as used herein, shall mean the physical or mental incapacity of Employee which the Company determines prevents Employee from performing any substantial part of Employee's then applicable duties for the Company with or without reasonable accommodation (other than accommodation which would impose undue hardship on the Company).

(d) "**Gasified Diesel Engine(s)**" as used herein, shall mean diesel to natural gas converted engines.

(e) "**Products**" shall mean (i) any and all products under design, in development, being tested, certified, being manufactured, or currently sold by the Company, including without limitation filters, components, controllers, conversion kits, and Gasified Diesel Engines; and (ii) any other products, designed, developed, produced, assembled, manufactured or marketed by or for the Company or its predecessors in interest, or that the Company or any subsidiary or Affiliate, hereafter designs, develops, produces, assembles, manufactures, markets or sells, which are derived from or related to the Products.

(f) "**Services**" shall mean demonstrating, designing, developing, testing, manufacturing, machining, modifying, installing, servicing, certifying or tuning of any of the Products or designing, manufacturing, creating tooling for, or machining equipment to manufacture any of the Products.

(g) "Termination Date" shall mean the date Employee ceases to be employed by the Company.

*** *Signature Page Follows* ***

IN WITNESS WHEREOF, the parties have executed this Employment Agreement effective as of the day and year first above written.

OMNITEK ENGINEERING CORP.

A handwritten signature in black ink, appearing to read "Werner Funk". The signature is written in a cursive style with a horizontal line above the letters.

By: Werner Funk
Its: President and CEO

EMPLOYEE

/s/ Richard L. Miller

Richard L. Miller

**ATTACHMENT A
TO
EMPLOYMENT AGREEMENT**

The undersigned Employee certifies that Employee owns the interest indicated below in the following inventions, designs, processes, technical or other developments, improvements, ideas and discoveries, as contemplated by Section 6(a) of this Agreement:

NONE

/s/ Richard L. Miller

Richard L. Miller

Date: November 5, 2015

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14**

I, Werner Funk, certify that:

1. I have reviewed this annual report on Form 10-K of Omnitek Engineering Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have, for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 30, 2016



By: Werner Funk
Its: Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14**

I, Richard Miller, certify that:

1. I have reviewed this annual report on Form 10-K of Omnitek Engineering Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have, for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 30, 2016

/s/ Richard Miller
By: Richard Miller
Its: Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Omnitek Engineering Corp. (the "Company") on Form 10-K for the period ending December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Werner Funk, Chief Executive Officer and, I, Richard Miller, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.



By: Werner Funk
Chief Executive Officer

Dated: March 30, 2016

/s/ Richard Miller
By: Richard Miller
Chief Financial Officer

Dated: March 30, 2016

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