Ascent Solar Technologies, Inc.
Form 10-Q
May 12, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
or
o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to
Commission File No. 001-32919

Ascent Solar Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	20-3672603
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12300 Grant Street, Thornton, CO	80241
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: 720-872-5000

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

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

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

As of May 11, 2016, there were 294,375,331 shares of our common stock issued and outstanding.

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ASCENT SOLAR TECHNOLOGIES, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ASCENT SOLAR TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$350,323	$326,217
Trade receivables, net of allowance for doubtful accounts of $77,339 and $60,347, respectively	1,522,438	1,992,885
Other receivable	2,000,000	—
Inventories	4,152,491	4,272,380
Prepaid expenses and other current assets	1,664,540	1,394,780
Total current assets	9,689,792	7,986,262
Property, Plant and Equipment:	37,575,736	37,575,736
Less accumulated depreciation and amortization	(29,847,426)	(28,484,708)
	7,728,310	9,091,028
Other Assets:		
Patents, net of amortization of $182,171 and $169,626, respectively	1,621,492	1,567,567
Other non-current assets	98,375	105,313
	1,719,867	1,672,880
Total Assets	$19,137,969	$18,750,170
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current Liabilities:		
Accounts payable	$3,441,995	$3,625,322
Accrued expenses	2,012,088	1,713,935
Current portion of long-term debt	354,507	348,722
Current portion of convertible note payable, net of discount of $0 and $22,484, respectively	—	30,036
September 2015 fixed rate convertible notes, net of discount of $825,000 and $1,237,500, respectively	1,265,146	811,773
Promissory Note	515,467	500,493
Current portion of litigation settlement	553,834	541,255
Series E preferred stock, net of discount of $584,632 and $1,231,737, respectively	517,760	1,090,847
Series F preferred stock, net of discount of $864,998 and $0, respectively	3,966,600	—
Short term embedded derivative liabilities	1,645,325	613,834
Make-whole dividend liability	849,560	849,560
Total current liabilities	15,122,282	10,125,777
Accrued Litigation Settlement, net of current portion	196,239	339,505
Long-Term Debt	5,358,127	5,442,194
Accrued Warranty Liability	245,649	264,000
Commitments and Contingencies (Notes 4 & 16)		
Stockholders' (Deficit) Equity:		
	21	21

Series A preferred stock, $.0001 par value; 750,000 shares authorized and issued; 212,390 shares and 212,390 shares outstanding as of March 31, 2016 and December 31, 2015, respectively ($2,548,680 Liquidation Preference)		
Common stock, $0.0001 par value, 450,000,000 shares authorized; 235,609,606 and 155,196,865 shares issued and outstanding, respectively	23,561	15,520
Additional paid in capital	353,798,897	347,644,947
Accumulated deficit	(355,606,807)	(345,081,794)
Total stockholders' (deficit) equity	(1,784,328)	2,578,694
Total Liabilities and Stockholders' (Deficit) Equity	$19,137,969	$18,750,170

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

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ASCENT SOLAR TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31,	
	2016	2015
Revenues	$710,222	$657,640
Costs and Expenses:		
Cost of revenues (exclusive of depreciation shown below)	2,164,396	1,581,493
Research, development and manufacturing operations (exclusive of depreciation shown below)	1,686,417	1,716,387
Selling, general and administrative (exclusive of depreciation shown below)	2,986,847	2,840,799
Depreciation and amortization	1,376,201	1,440,266
Total Costs and Expenses	8,213,861	7,578,945
Loss from Operations	(7,503,639)	(6,921,305)
Other Income/(Expense)		
Other Income/(Expense), net	—	17,853
Interest expense	(2,248,139)	(9,951,760)
Deemed interest expense on warrant liability	—	(909,092)
Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net	(773,236)	(23,466)
Total Other Income/(Expense)	(3,021,375)	(10,866,465)
Net Loss	$(10,525,014)	$(17,787,770)
Net Loss Per Share (Basic and diluted)	$(0.05)	$(0.79)
Weighted Average Common Shares Outstanding (Basic and diluted)	194,241,863	22,440,851

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

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ASCENT SOLAR TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Operating Activities:		
Net loss	$(10,525,014)	$(17,787,770)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,376,201	1,440,266
Share based compensation	217,838	261,141
Amortization of financing costs to interest expense	80,089	132,485
Non-cash interest expense	54,379	559,995
Amortization of debt discount	1,923,705	8,985,875
Accrued litigation settlement	(130,687)	(119,212)
Deemed interest expense on warrant liability	—	909,092
Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net	773,236	23,466
Bad debt expense	16,993	80,144
Changes in operating assets and liabilities:		
Accounts receivable	453,454	1,103,103
Inventories	119,889	(1,425,791)
Prepaid expenses and other current assets	(318,848)	(177,067)
Accounts payable	(183,326)	750,880
Accrued expenses	298,153	(189,972)
Warranty reserve	(18,351)	11,000
Net cash used in operating activities	(5,862,289)	(5,442,365)
Investing Activities:		
Purchase of property, plant and equipment	—	(20,292)
Interest income on restricted cash	—	(17,853)
Patent activity costs	(66,470)	(112,231)
Net cash used in investing activities	(66,470)	(150,376)
Financing Activities:		
Payment of debt financing costs	(25,000)	—
Repayment of debt	(78,282)	(48,997)
Proceeds from Committed Equity Line	1,056,147	—
Proceeds from issuance of stock and warrants	5,000,000	2,500,000
Net cash provided by financing activities	5,952,865	2,451,003
Net change in cash and cash equivalents	24,106	(3,141,738)
Cash and cash equivalents at beginning of period	326,217	3,316,576
Cash and cash equivalents at end of period	$350,323	$174,838
Supplemental Cash Flow Information:		
Cash paid for interest	$139,090	$97,392
Non-Cash Transactions:		
Non-cash conversions of preferred stock and convertible notes to equity	$3,441,115	$5,477,292

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

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ASCENT SOLAR TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION

Ascent Solar Technologies, Inc. (“Ascent”) was incorporated on October 18, 2005 from the separation by ITN Energy Systems, Inc. (“ITN”) of its Advanced Photovoltaic Division and all of that division’s key personnel and core technologies. ITN, a private company incorporated in 1994, is an incubator dedicated to the development of thin-film, photovoltaic (“PV”), battery, fuel cell and nano technologies. Through its work on research and development contracts for private and governmental entities, ITN developed proprietary processing and manufacturing know-how applicable to PV products generally, and to Copper-Indium-Gallium-diSelenide (“CIGS”) PV products in particular. ITN formed Ascent to commercialize its investment in CIGS PV technologies. In January 2006, in exchange for 102,800 shares of common stock of Ascent, ITN assigned to Ascent certain CIGS PV technologies and trade secrets and granted to Ascent a perpetual, exclusive, royalty-free worldwide license to use, in connection with the manufacture, development, marketing and commercialization of CIGS PV to produce solar power, certain of ITN’s existing and future proprietary and control technologies that, although non-specific to CIGS PV, Ascent believes will be useful in its production of PV modules for its target markets. Upon receipt of the necessary government approvals and pursuant to novation in early 2007, ITN assigned government-funded research and development contracts to Ascent and also transferred the key personnel working on the contracts to Ascent.

Currently, the Company is producing consumer oriented products focusing on charging mobile devices powered by or enhanced by the Company's solar modules. Products in these markets are priced based on the overall product value proposition rather than a commodity-style price per watt basis. The Company continues to develop new consumer products and has adjusted utilization of its equipment to meet near term sales forecasts.

NOTE 2. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been derived from the accounting records of Ascent Solar Technologies, Inc., Ascent Solar (Asia) Pte. Ltd., and Ascent Solar (Shenzhen) Co., Ltd. (collectively, "the Company") as of March 31, 2016 and December 31, 2015, and the results of operations for the three months ended March 31, 2016 and 2015. Ascent Solar (Shenzhen) Co., Ltd. is wholly owned by Ascent Solar (Asia) Pte. Ltd., which is wholly owned by Ascent Solar Technologies, Inc. All significant inter-company balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, these interim financial statements do not include all of the information and footnotes typically found in U.S. GAAP audited annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. The Condensed Consolidated Balance Sheet at December 31, 2015 has been derived from the audited financial statements as of that date but does not include all of the information and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. These condensed consolidated financial statements and notes should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies were described in Note 3 to the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. There have been no significant changes to our accounting policies as of March 31, 2016.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The update will establish a comprehensive revenue recognition standard for virtually all industries in GAAP. ASU 2014-09 will change the amount and timing of revenue and cost recognition, implementation, disclosures and documentation. In August 2015, the FASB

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issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. ASU 2014-09 is now effective for the Company in fiscal year 2018. The Company is researching whether the adoption of ASU 2014-09 will have a material effect on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management to evaluate, in connection with preparing financial statements for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide certain disclosures if it concludes that substantial doubt exists. ASU 2014-15 is effective for all entities for the annual period ending after December 15, 2016, and for annual and interim periods thereafter, with early adoption permitted. The Company has not early adopted ASU 2014-15. The Company is researching whether the adoption of ASU 2014-15 will have a material effect on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which states that inventory should be measured at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective within annual periods beginning on or after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU 2016-02 requires lessees to recognize all leases, including operating leases, on the balance sheet as a lease asset or lease liability, unless the lease is a short-term lease. ASU 2016-02 also requires additional disclosures regarding leasing arrangements. ASU 2016-02 is effective for interim periods and fiscal years beginning after December 15, 2018, and early application is permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment transactions, including 1) accounting for income taxes, 2) classification of excess tax benefits in the statement of cash flows, 3) forfeitures, 4) minimum statutory tax withholding requirements, 5) cash flow classification of employee taxes withheld in the form of shares, 6) the practical expedient for estimating the expected term, and 7) intrinsic value. The guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. The Company does not expect the implementation of ASU 2016-09 to have a material effect on its consolidated financial statements.

Reclassifications: Certain reclassifications have been made to the 2015 financial information to conform to the 2016 presentation. Such reclassifications had no effect on the net loss.

NOTE 4. LIQUIDITY AND CONTINUED OPERATIONS

On September 4, 2015, the Company entered into a note purchase agreement between the Company and two accredited investors (the "Accredited Investors"). Pursuant to the note purchase agreement, the Company issued to the Accredited Investors $1.5 million original principal amount of secured subordinated convertible notes on September 4, 2015, and an additional $0.5 million original principal amount of secured subordinated convertible notes on September 28, 2015. See Note 10 for further information. Subsequent to March 31, 2016 the Company entered into an exchange agreement to cancel the September 2015 Convertible Notes, see Note 17 for further information.

On November 4, 2015, the Company entered into a securities purchase agreement with a private investor (the "Private Investor") to issue 2,800 shares of Series E Preferred Stock in exchange for $2.8 million. See Note 11 for further information.

On November 10, 2015, the Company and the Private Investor entered into a committed equity line purchase agreement (the "CEL"). Under the terms and subject to the conditions of the CEL purchase agreement, at its option, the Company has the right to sell to the Private Investor, and the Private Investor is obligated to purchase from the Company, up to $32.2 million of the Company’s common stock, subject to certain limitations, from time to time, over the 36-month period commencing on December 18, 2015, the date that the registration statement was declared effective by the SEC. The remaining availability under the CEL as of March 31, 2016 is $29.1 million.

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Actual sales of shares of common stock to the Private Investor under the CEL purchase agreement will depend on a variety of factors to be determined by the Company from time to time, including, among others, our ability to register shares of common stock with the SEC, market conditions, the trading price of the common stock and determinations by the Company as to the appropriate sources of funding for the Company and its operations.

As of January 27, 2016, the Company was not able to access the CEL because the Company does not have any registered shares available for use in connection with the CEL purchase agreement. The Company is in the process of registering an additional 48,000,000 shares for such purpose with the SEC. If such additional registration statement is declared effective by the SEC and such additional shares become available for use by the Company, the Company's sales of shares pursuant to the CEL purchase agreement during 2016 would be limited to such 48,000,000 shares. The Company's use of the CEL in 2016 and beyond would require, among other things, the Company to file additional registration statements in the future that cover additional shares and have such registration statements declared effective. The Company would also need to maintain the effectiveness of such additional registration statements.

On January 19, 2016, the Company entered into a securities purchase agreement (the "Series F SPA") with the Private Investor for the sale of $7 million of the Company's newly designated Series F 7% Convertible Preferred Stock (the "Series F Preferred Stock"). See Note 12 for further information.

The Company has continued PV production at its manufacturing facility. The Company does not expect that sales revenue and cash flows will be sufficient to support operations and cash requirements until it has fully implemented its new consumer products strategy. During the three months ended March 31, 2016 the Company used $5.9 million in cash for operations. The Company's primary significant long term cash obligation consists of a note payable of $5.7 million to a financial institution secured by a mortgage on its headquarters and manufacturing building in Thornton, Colorado. Total payments of $0.6 million, including principal and interest, will come due in the remainder of 2016. The Company owes $0.8 million as of March 31, 2016 related to a litigation settlement reached in April 2014, which is being paid in equal installments over 40 months which began in April 2014.

Additional projected product revenues are not anticipated to result in a positive cash flow position for the year 2016 overall and as of March 31, 2016 the Company has negative working capital. As such, cash liquidity sufficient for the year ending December 31, 2016 will require additional financing. Subsequent to March 31, 2016, the Company entered into a securities purchase agreements with the Accredited Investors for the private placement of $2.0 million of the Company's newly designated Series G Convertible Preferred Stock ("Series G Preferred Stock"). See Note 17 for further information.

The Company continues to accelerate sales and marketing efforts related to its consumer products strategy through increased hiring and expansion of its sales channel. The Company has begun activities related to securing additional financing through strategic or financial investors, but there is no assurance the Company will be able to raise additional capital on acceptable terms or at all. If the Company's revenues do not increase rapidly, and/or additional financing is not obtained, the Company will be required to significantly curtail operations to reduce costs and/or sell assets. Such actions would likely have an adverse impact on the Company's future operations.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment as of March 31, 2016 and December 31, 2015:

	As of March 31, 2016	As of December 31, 2015
Building	$5,828,960	$ 5,828,960
Furniture, fixtures, computer hardware and computer software	480,976	480,976

Manufacturing machinery and equipment	31,265,800