Ascent Solar Technologies, Inc.
Form 10-Q
November 07, 2013
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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 September 30, 2013

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 October 31, 2013, there were 59,162,698 shares of our common stock issued and outstanding.

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Quarterly Period Ended September 30, 2013
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
CONDENSED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$3,880,290	$12,621,477
Trade receivables	95,014	100,164
Related party receivables and deposits	10,225	596,339
Inventories	2,097,498	2,159,553
Prepaid expenses and other current assets	759,705	235,305
Total current assets	6,842,732	15,712,838
Property, Plant and Equipment:	39,591,677	39,979,013
Less accumulated depreciation and amortization	(16,471,789)	(12,725,298)
	23,119,888	27,253,715
Other Assets:		
Patents, net of amortization of $74,077 and $48,150, respectively	834,654	500,879
Other non-current assets	53,750	56,563
	888,404	557,442
Total Assets	$30,851,024	$43,523,995
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current Liabilities:		
Accounts payable	$607,571	$855,373
Accrued expenses	1,686,565	1,788,635
Current portion of long-term debt	278,342	264,935
Make-whole dividend liability	1,652,745	—
Total current liabilities	4,225,223	2,908,943
Long-Term Debt	6,139,671	6,350,135
Accrued Warranty Liability	47,937	38,187
Commitments and Contingencies (Notes 4 & 12)		
Stockholders’ Equity:		
Preferred stock, $0.0001 par value, 25,000,000 shares authorized; 712,390 and 0 shares issued and outstanding, respectively ($5,765,206 Liquidation Preference)	71	—
Common stock, $0.0001 par value, 125,000,000 shares authorized; 54,789,971 and 51,143,906 shares issued and outstanding, respectively	5,479	5,114
Additional paid in capital	256,458,392	245,996,950
Deficit accumulated during the development stage	(236,025,749)	(211,775,334)
Total stockholders’ equity	20,438,193	34,226,730
Total Liabilities and Stockholders’ Equity	$30,851,024	$43,523,995

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

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ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Period from Inception (October 18, 2005) Through September 30, 2013
	2013	2012	2013	2012	
Revenues					
Products *	$266,534	$473,657	$608,490	$546,609	$2,536,753
Government contracts	8,299	82,030	126,332	605,195	9,793,381
Total Revenues	274,833	555,687	734,822	1,151,804	12,330,134
Costs and Expenses					
Research and development	5,335,682	5,729,598	16,246,246	14,950,061	116,660,482
Selling, general and administrative	1,384,650	1,187,711	4,238,063	3,868,035	45,068,481
Impairment loss	—	—	—	—	83,171,090
Total Costs and Expenses	6,720,332	6,917,309	20,484,309	18,818,096	244,900,053
Loss from Operations	(6,445,499)	(6,361,622)	(19,749,487)	(17,666,292)	(232,569,919)
Other Income/(Expense)					
Other Income/(Expense), net	(106,652)	(36,833)	(320,138)	(148,535)	724,960
Change in fair value of make-whole dividend liability	70,272	—	70,272	—	70,272
Total Other Income/(Expense)	(36,380)	(36,833)	(249,866)	(148,535)	795,232
Net Loss	$(6,481,879)	$(6,398,455)	$(19,999,353)	$(17,814,827)	$(231,774,687)
Deemed dividend on Preferred Stock and accretion of warrants	(3,653,803)	—	(4,251,062)	—	(4,251,062)
Net Loss applicable to common stockholders	$(10,135,682)	$(6,398,455)	$(24,250,415)	$(17,814,827)	$(236,025,749)
Net Loss Per Share (Basic and diluted)	$(0.19)	$(0.15)	$(0.46)	$(0.43)	
Weighted Average Common Shares Outstanding (Basic and diluted)	54,256,684	42,490,471	52,862,381	41,410,374	

* Includes related party revenue of $142,500 for the three and nine months ended September 30, 2013 and $404,680 for the three and nine months ended September 30, 2012. See Note 11.

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

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ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2013	2012	For the Period from Inception (October 18, 2005) through September 30, 2013
Operating Activities:			
Net loss	$(19,999,353)	$(17,814,827)	$ (231,774,687)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,659,940	4,664,985	29,173,087
Stock based compensation	538,365	761,351	13,350,057
Common stock issued for services	104,000	—	162,950
Realized loss on forward contracts	—	—	1,430,766
Foreign currency transaction loss (gain)	—	5,365	(590,433)
Amortization of financing costs and discounts	—	—	998,565
Impairment loss	—	—	83,171,090
Contract cancellation loss	—	—	1,167,586
Change in fair value of make-whole dividend liability	(70,272)	—	(70,272)
Changes in operating assets and liabilities:			
Accounts receivable	5,150	240,597	(95,014)
Related party receivables and deposits	586,114	(631,825)	(10,225)
Inventories	62,055	101,602	(2,097,498)
Prepaid expenses and other current assets	(524,400)	(115,326)	(759,705)
Accounts payable	(247,802)	(186,372)	607,570
Accrued expenses	(102,069)	136,553	735,529
Warranty reserve	9,750	10,918	47,937
Net cash used in operating activities	(14,978,522)	(12,826,979)	(104,552,697)
Investing Activities:			
Purchases of available-for-sale securities	—	(638,572)	(907,118,828)
Maturities and sales of available-for-sale securities	—	13,253,650	907,118,828
Purchase of property, plant and equipment	(497,373)	(5,363,111)	(135,319,376)
Restricted cash for manufacturing equipment	—	1,427,053	—
Patent activity costs	(359,702)	(73,657)	(883,773)
Net cash provided by (used in) investing activities	(857,075)	8,605,363	(136,203,149)
Financing Activities:			
Proceeds from bridge loan financing	—	—	1,600,000
Repayment of bridge loan financing	—	—	(1,600,000)
Payment of debt financing costs	—	—	(273,565)
Payment of equity offering costs	—	—	(10,302,040)
Proceeds from debt	—	—	7,700,000
Repayment of debt	(197,057)	(584,506)	(2,381,987)
Proceeds from shareholder under Section 16(b)	—	—	148,109
Proceeds from issuance of stock and warrants	7,291,467	12,080,536	249,793,747
Redemption of Class A warrants	—	—	(48,128)

Net cash provided by financing activities	7,094,410	11,496,030	244,636,136
Net change in cash and cash equivalents	(8,741,187)	7,274,414	3,880,290
Cash and cash equivalents at beginning of period	12,621,477	11,298,885	—
Cash and cash equivalents at end of period	$3,880,290	$18,573,299	$ 3,880,290
Non-Cash Transactions:			
ITN initial contribution of assets for equity	$—	$—	$ 31,200
Note with ITN and related capital expenditures	$—	$—	$ 1,100,000
Make-whole provision on convertible preferred stock	$1,783,017	$—	$ 1,783,017
Beneficial conversion feature on convertible preferred stock	$2,421,062	$—	$ 2,421,062

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

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ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION

Ascent Solar Technologies, Inc. (“Ascent” or “the Company”) 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 1,028,000 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.

NOTE 2. BASIS OF PRESENTATION

The Company’s activities to date have consisted substantially of raising capital, research and development, establishment and development of the Company's production plant and product development. Revenues to date have been primarily generated from the Company’s governmental research and development contracts and have not been significant. The Company’s planned principal operations to commercialize flexible photovoltaic ("PV") modules and PV integrated consumer electronics have commenced, but have generated limited revenue to date. Accordingly, the Company is considered to be in the development stage and has provided additional disclosure of inception to date activity in the Condensed Statements of Operations and Condensed Statements of Cash Flows.

The accompanying unaudited condensed 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 10 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 Balance Sheet at December 31, 2012 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, 2012. These condensed 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, 2012.

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 nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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, 2012. There have been no significant changes to these policies and no recent accounting pronouncements or changes in accounting pronouncements during

the nine months ended September 30, 2013 that are of significance or potential significance to the Company.

NOTE 4. LIQUIDITY AND CONTINUED OPERATIONS

As of September 30, 2013, the Company had $3.9 million in cash and working capital of $2.6 million. As discussed in Note 2, the Company is in the development stage and is currently incurring significant losses from operations as it works toward commercialization. The Company made cash payments of $0.5 million in the nine months ended September 30, 2013 for property, plant and equipment. In May 2013, the Company completed the sale of 2,500,000 shares of common stock in a

private placement for proceeds of $1.4 million. In August 2013, the Company completed the sale 750,000 shares of Series A preferred stock and warrants to purchase up to 2,625,000 shares of common stock in a private placement for gross proceeds of $6.0 million.

The Company has commenced 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. Changes in the level of expected operating losses, the timing of planned capital expenditures or other factors may negatively impact cash flows and reduce current cash and investments faster than anticipated. During the third quarter of 2013, the Company used $5.0 million in cash for operations, as compared to the prior quarter when $4.9 million was used for operations.

On July 2, 2013, the Company entered into a framework agreement for the establishment of a joint venture with the Government of the Municipal City of Suqian in Jiangsu Province, China ("Suqian").

The agreement covers a multi-faceted, three-phase project. Completion of all three phases would involve an anticipated investment of up to $500 million over 6 years, primarily funded by Suqian.

Under the framework agreement, in the first phase the Company and Suqian will form a joint venture entity ("JV") in which the Company will have majority interest of up to 80%. The JV will build a factory to manufacture the Company's proprietary photovoltaic modules. The Company will contribute proprietary technology and intellectual property, approximately $1.6 million in cash, and certain equipment from its Colorado facility. Suqian will provide cash of approximately $32.5 million as well as rent-free use of a 270,000 square foot factory that is currently being built in the Suqian Economic & Industrial Development Science Park. The total project size of phase one under the agreement is expected to be approximately $160 million. The Company will have the right to purchase this factory within the first 5 years at the initial construction cost, as well as the right to purchase Suqian's ownership interest in the JV for a modest nominal cost above Suqian's cash investment.

The implementation of the framework agreement, including the formation of the JV entity, will be subject to a number of contractual conditions and governmental approvals. Such conditions and approvals must be obtained in the future in order for the Suqian factory to be built and become operational.

For the remainder of 2013, the Company expects to incur a base level of maintenance capital expenditures and relatively minor improvements to the existing asset base. The Company's primary significant long term obligation consists of a note payable of $6.4 million to a financial institution secured by a mortgage on its headquarters and manufacturing building in Thornton, Colorado. Total payments of $0.2 million, including principal and interest, will come due in the remainder of 2013. Additional projected product revenues are not anticipated to result in a positive cash flow position for the year 2013 overall. Following the closing of the first tranche of the Series B Preferred Stock offering in November 2013 (see Note 13. Subsequent Event), the Company believes it will need to raise additional capital during 2014 in order the continue the current level of operations through the end of 2014 and into 2015. The Company continues to accelerate sales and marketing efforts related to its consumer products strategy through increased hiring and new distribution agreements. The Company has begun activities related to securing additional financing through strategic or financial investors, but there is no assurance that 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.

On April 11, 2012, the Company received notice from The NASDAQ Stock Market ("Nasdaq") stating that because the Company had not regained compliance with the $1.00 minimum bid price requirement for continued listing, the Company's common stock (listed on The Nasdaq Global Market) would be subject to delisting. On August 17, 2012, the Company received notification from The Nasdaq Listing Qualifications department that the Company had regained compliance with the minimum bid price requirement, and that the Company's noncompliance had been rectified. On December 5, 2012, the Company received notice from Nasdaq stating that it had fallen out of compliance with the $1.00 minimum bid price requirement for continued listing. On August 5, 2013, the Company received notification from The Nasdaq Listing Qualifications department that the Company had regained compliance with the minimum bid price requirement, and that the Company's noncompliance had been rectified. On September 19, 2013, the Company received notice from Nasdaq stating that it had again fallen out of compliance with the $1.00 minimum

bid price requirement for continued listing. This notice has no immediate effect on the listing of the Company's common stock on The Nasdaq Global Market. The Company has been provided an initial compliance period of 180 calendar days, or until March 18, 2014, for its closing bid price to meet or exceed $1.00 per share for a minimum of 10 consecutive business days. If this initial compliance period were to expire, the Company could request a hearing which would stay any delisting action in connection with the notice and allow the continued listing of the Company's common stock until the Panel renders a decision subsequent to the hearing. There can be no assurance that the Company's plans to exercise diligent efforts to maintain the listing of its common stock on The Nasdaq Global Market will be successful. If not successful,

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there may be a negative impact on the Company's ability to raise capital through the equity markets, however, the Company could effect a reverse stock split, although such a split may have negative implications as well.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment as of September 30, 2013 and December 31, 2012:

	As of September 30, 2013	As of December 31, 2012
Building	$5,820,509	$ 5,820,735
Furniture, fixtures, computer hardware and computer software	457,204	426,517
Manufacturing machinery and equipment	33,313,964	32,847,052
Leasehold improvements	—	884,709
Net depreciable property, plant and equipment	39,591,677	39,979,013
Less: Accumulated depreciation and amortization	(16,471,789)	(12,725,298)
Net property, plant and equipment	$23,119,888	$ 27,253,715

The Company analyzes its long-lived assets for impairment, both individually and as a group, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. During the quarter ended June 30, 2011, an impairment charge in the amount of approximately $74.5 million was taken against Property, Plant and Equipment. This impairment, combined with a charge of approximately $3.5 million taken against Deposits on manufacturing equipment, resulted in a total write-down of $78.0 million in the quarter ended June 30, 2011. This write-down resulted in net assets of approximately $32.2 million being recorded at fair value as of June 30, 2011. The fair value measurement for these assets relied primarily on Company-specific inputs and the Company's assumptions about the use of the assets, as observable inputs were not available. Accordingly, the Company determined that these fair value measurements reside primarily within Level 3 of the fair value hierarchy.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Depreciation expense for the three months ended September 30, 2013 and 2012 was $1,553,289 and $1,578,175, respectively, and for the nine months ended September 30, 2013 and 2012 was $4,631,199 and $4,648,046, respectively. Depreciation expense is recorded under "Research and development" expense and "Selling, general and administrative" expense in the Condensed Statements of Operations.

The Company incurred and capitalized interest costs related to the manufacturing facility building loan as follows during the nine months ended September 30, 2013 and 2012:

	For the nine months ended September 30,	
	2013	2012
Interest cost incurred	$325,963	$338,515
Interest cost capitalized	—	(177,309)
Interest expense, net	$325,963	$161,206

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NOTE 6. INVENTORIES

Inventories consisted of the following at September 30, 2013 and December 31, 2012:

	As of September 30, 2013	As of December 31, 2012
Raw materials	$1,211,219	$ 1,794,224
Work in process	327,527	172,227
Finished goods	558,752	193,102
Total	$2,097,498	$ 2,159,553

NOTE 7. DEBT

On February 8, 2008, the Company acquired a manufacturing and office facility in Thornton, Colorado, for approximately $5.5 million. The purchase was financed by a promissory note, deed of trust and construction loan agreement (the “Construction Loan”) with the Colorado Housing and Finance Authority (“CHFA”), which provided the Company borrowing availability of up to $7.5 million for the building and building improvements. In 2009, the Construction Loan was converted to a permanent loan pursuant to a Loan Modification Agreement between the Company and CHFA (the “Permanent Loan”). The Permanent Loan, collateralized by the building, has an interest rate of 6.6% and the principal will be amortized through its term to January 2028. The Company will incur a prepayment penalty if the Permanent Loan is prepaid prior to December 31, 2015. Further, pursuant to certain negative covenants in the Permanent Loan, the Company may not, among other things, without CHFA’s prior written consent (which by the terms of the deed of trust is subject to a reasonableness requirement): create or incur additional indebtedness (other than obligations created or incurred in the ordinary course of business); merge or consolidate with any other entity; or make loans or advances to the Company’s officers, shareholders, directors or employees. The outstanding balance of the Permanent Loan was $6,418,012 as of September 30, 2013.

As of September 30, 2013, future principal payments on long-term debt are due as follows:

2013	$67,877
2014	282,960
2015	302,210
2016	322,771
2017	344,730
Thereafter	5,097,464
	$6,418,012

NOTE 8. MAKE-WHOLE DIVIDEND LIABILITY

In June 2013, the Company entered into a Series A Preferred Stock Purchase Agreement. Holders of Series A Preferred Stock are entitled to cumulative dividends at a rate of 8.0% per annum, with the dividend rate being indexed to the Company's stock price and subject to adjustment. Conversion or redemption of the Series A Preferred Stock within 4 years of issuance requires that the Company pay a make-whole dividend to the holders, whereby dividends for the full four year period are to be paid in cash or common stock (valued at 10% below market price). The Company concluded that the make-whole payment should be characterized as an embedded derivative under ASC 815. See Note 9. Stockholders' Equity. With the closing of the Series A Preferred stock transaction, during the nine months ended September 30, 2013, the Company recorded a make-whole dividend of $1.9 million as "Deemed dividend on Preferred Stock and accretion of warrants" in the Condensed Statements of Operations and "Make-whole

dividend liability" in the Condensed Balance Sheets. The fair value of this dividend liability, which is indexed to the Company's common stock, must be evaluated at each period end.

The fair value measurement for this make-whole dividend liability relies primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined that this recurring fair value measurement resides primarily within Level 3 of the fair value hierarchy. Fair value determination required forecasting stock price volatility, expected average annual return and conversion date. As a result of this analysis, for the three months ended September 30, 2013, the Company recorded a fair value adjustment in the amount of $70,000, recorded as "Change in fair

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value of make-whole dividend liability" in Other Income/(Expense) in the Condensed Statements of Operations and in the Condensed Statement of Cash Flows. At September 30, 2013, there were 712,390 shares of Series A Preferred Shares outstanding. The fair value of the corresponding make-whole dividend liability was $1,653,000 at September 30, 2013.

NOTE 9. STOCKHOLDERS' EQUITY

Common Stock

At September 30, 2013, the Company had 125,000,000 shares of common stock, $0.0001 par value, authorized for issuance. Each share of common stock has the right to one vote. As of September 30, 2013, the Company had 54,789,971 shares of common stock outstanding. The Company has not declared or paid any dividends related to the common stock through September 30, 2013.

In January 2013, the Company retained a consulting firm to provide certain consulting services relating to the retail distribution of the Company's consumer products. In exchange for the consulting services, the Company issued 240,000 unregistered shares of Common Stock to the consulting firm. Under the terms of the consulting agreement, the Company will hold the shares in escrow until January 2014. With this issuance, half of the shares vested immediately, and the remaining shares are expected to vest in January 2014.

In April 2013, the Company entered into a Stock Purchase Agreement with an investor to sell an aggregate of 2,500,000 unregistered shares of common stock at a per share price of $0.57. In May 2013, the Company received proceeds of $1,425,000 from this transaction.

Preferred Stock

At September 30, 2013, the Company had 25,000,000 shares of preferred stock, $0.0001 par value, authorized for issuance, of which 750,000 shares have been designated as Series A Preferred Stock. Preferred stock may be issued in classes or series. Designations, powers, preferences, rights, qualifications, limitations and restrictions are determined by the Company's Board of Directors. As of September 30, 2013, the Company had 712,390 shares of Series A Preferred Stock outstanding. As of September 30, 2013, the Company had no declared unpaid dividends related to the preferred stock.

Series A Preferred Stock

In June 2013, the Company entered into a Securities Purchase Agreement with an investor to sell an aggregate of 750,000 shares of Series A Preferred Stock at a price of $8.00 per share, resulting in gross proceeds of $6,000,000. This purchase agreement included warrants to purchase up to 2,625,000 shares of common stock of the Company. The transfer of cash and securities took place incrementally, the first closing occurring on June 17, 2013 with the transfer of 125,000 shares of Series A Preferred Stock and a warrant to purchase 437,500 shares of common stock for $1,000,000. The final closings took place in August 2013, with the transfer of 625,000 shares of Series A Preferred Stock and a warrant to purchase 2,187,500 shares of common stock for $5,000,000.

Holders of Series A Preferred Stock are entitled to cumulative dividends at a rate of 8.0% per annum when and if declared by the Board of Directors in its sole discretion. The dividends may be paid in cash or in the form of common stock (valued at 10% below market price, but not to exceed the lowest closing price during the applicable measurement period), at the discretion of the Board of Directors. The dividend rate on the Series A Preferred Stock is indexed to the Company's stock price and subject to adjustment. In addition, the Series A Preferred Stock contains a make-whole provision whereby, conversion or redemption of the preferred stock within 4 years of issuance will require dividends for the full four year period to be paid by the Company in cash or common stock (valued at 10% below market price, but not to exceed the lowest closing price during the applicable measurement period).

The Series A Preferred Stock may be converted into shares of common stock at the option of the Company if the closing price of the common stock exceeds $1.60, as adjusted, for 20 consecutive trading days, or by the holder at any time. The Company has the right to redeem the Series A Preferred Stock at a price of $8.00 per share, plus any accrued and unpaid dividends, plus the make-whole amount (if applicable). At September 30, 2013, the preferred shares were not eligible for conversion to common shares at the option of the Company. The holder of the preferred shares may convert to common shares at any time, at no cost, at a ratio of 1 preferred share into 10 common shares (subject to standard ratable anti-dilution adjustments). Upon any conversion (whether at the option of the Company or

the holder), the holder is entitled to receive any accrued but unpaid dividends and also any make-whole amount (if applicable). As of September 30, 2013, the Company was entitled to redeem the outstanding preferred shares for $5.7 million in cash, plus a make-whole amount of $1.7 million, payable in cash or common shares. The make-whole amount is recorded at fair value on our Condensed Balances Sheets. See Note 8. Make-Whole Dividend Liability.

During the three months ended September 30, 2013, the holder of the Series A Preferred Shares converted 37,610 preferred shares into 376,100 shares of common stock. As a result of this conversion, the Company paid a make-whole dividend on the conversion of Series A preferred stock in the amount of 123,909 shares of common stock in lieu of a cash payment of $107,000. In October 2013, the holder of the Series A Preferred Shares twice converted preferred shares; a total of 350,000 preferred shares converted into 3,500,000 shares of common stock. As a result of these conversions, the Company paid make-whole dividends totaling 872,726 shares of common stock in lieu of cash payments of $656,000.

Except as otherwise required by law (or with respect to approval of certain actions), the Series A Preferred Stock shall have no voting rights. Upon any liquidation, dissolution or winding up of the Company, after payment or provision for payment of debts and other liabilities of the Company, the holders of Series A Preferred Stock shall be entitled to receive, pari passu with any distribution to the holders of common stock of the Company, an amount equal to $8.00 per share of Series A Preferred Stock plus any accrued and unpaid dividends.

The warrants offered as part of the Securities Purchase Agreement have a three year term and require payment of an exercise price of $0.90 per common share to the Company.

The Securities Purchase Agreement for the Series A Preferred Stock required that the registration statement, filed on August 16, 2013, must be declared effective within 90 days of the filing date. If the registration statement was not declared effective by this date, damages of 1% of the total investment amount, or $60,000, plus interest, would have been owed by the Company to the Holder for each month until registration statement effectiveness is reached or the investment amount is repaid in full. The registration statement became effective on August 30, 2013, therefore any potential registration rights liability owed to the Holder by the Company was eliminated as of September 30, 2013.

Accounting for the Series A Preferred Shares

During the quarter ended June 30, 2013, the Company recorded only the initial closing, or 125,000 preferred shares and 437,500 warrants issued in exchange for $1,000,000. The remainder of the transaction, the issuance of 625,000 preferred shares and 2,187,500 warrants issued in exchange for $5,000,000,was recorded when cash and securities were exchanged on the final closings in August 2013.

Upon its issuance, the Series A Preferred Stock was first evaluated under FASB ASC 480, " Distinguishing Liabilities from Equity" ("ASC 480"), and it was determined that it was not within the scope of ASC 480; therefore, the Series A Preferred Stock was not considered a liability under ASC 480. The warrants associated with the Series A Preferred Stock offering were also not considered a liability as assessed under ASC 480.

Under FASB ASC 470, " Debt with Conversion Features and Other Options" ("ASC 470"), the proceeds from issuance must be allocated to both the Series A Preferred Stock and the warrants using the relative fair value method. The allocation of proceeds to the warrants created a discount in the fair value of the Series A Preferred Stock in the amount $1.1 million. Because the Series A Preferred Stock was immediately convertible, the discount was accreted as of the date of issuance, recorded as "Additional paid in capital" in Stockholders' Equity on the Condensed Balance Sheets and "Deemed dividend on Preferred Stock and accretion of warrants" in the Condensed Statements of Operations.

The Series A Preferred Stock was then evaluated under ASC 470 to determine if there was a beneficial conversion feature ("BCF"). A convertible financial instrument includes a BCF if its conversion rate is lower than the issuer's stock price at the commitment date. The BCF compares the carrying value of the preferred stock after the value of any derivatives or equity instruments have been allocated from the proceeds to the transaction date value of the number of shares of common stock that the holder would receive upon conversion. The calculation resulted in a BCF of $1.3 million. Because the Series A Preferred Stock was immediately convertible, the BCF was recorded as of the date of issuance as "Additional paid in capital" in Stockholders' Equity on the Condensed Balance Sheets and "Deemed dividend on Preferred Stock and accretion of warrants" in the Condensed Statements of Operations.

The Series A Preferred Stock issuance includes a make-whole provision with a variable rate dividend which is indexed to the Company's own stock. The make-whole provision has attributes of an embedded derivative and was evaluated under ASC 815, " Derivatives and Hedging" ("ASC 815"). The Company believes that the Series A Preferred Stock is an equity host for the purposes of evaluating the make-whole provision for potential bifurcation. The Series A Preferred Stock holder is entitled to convert to common shares at any time after issuance. If converted within four years of issuance, the holder is entitled to a make-whole dividend which is payable in cash or registered shares, at the

Company's election. The Company concluded that the make-whole payment should be characterized as an embedded derivative under ASC 815. See Note 8. Make-Whole Dividend Liability.

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NOTE 10. EQUITY PLANS AND SHARE-BASED COMPENSATION

Share-Based Compensation: The Company measures share-based compensation cost at the grant date based on the fair value of the award and recognizes this cost as an expense over the grant recipients' requisite service periods for all awards made to employees, officers, directors and consultants.

The share-based compensation expense recognized in the Condensed Statements of Operations was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Share-based compensation cost included in:				
Research and development	$58,898	$82,623	$183,725	$252,800
Selling, general and administrative	111,548	127,039	354,640	508,551
Total share-based compensation cost	$170,446	$209,662	$538,365	$761,351

The following table presents share-based compensation expense by type:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Type of Award:				
Stock Options	$96,911	$104,939	$298,455	$379,607
Restricted Stock Units and Awards	73,535	104,723	239,910	381,744
Total share-based compensation cost	$170,446	$209,662	$538,365	$761,351

Stock Options: The Company recognized share-based compensation expense for stock options of $298,000 to officers, directors and employees for the nine months ended September 30, 2013 related to stock option awards ultimately expected to vest. The weighted average estimated fair value of employee stock options granted for the nine months ended September 30, 2013 and 2012 was $0.49 and $0.56 per share, respectively. Fair value was calculated using the Black-Scholes Model with the following assumptions:

	For the nine months ended September 30,	
	2013	2012
Expected volatility	97%	103%
Risk free interest rate	1%	1%
Expected dividends	—	—
Expected life (in years)	5.2	5.2

Expected volatility is based on the historical volatility of the Company's stock. The risk-free rate of return is based on the yield of U.S. Treasury bonds with a maturity equal to the expected term of the award. Historical data is used to estimate forfeitures within the Company's valuation model. The Company's expected life of stock option awards is derived from historical experience and represents the period of time that awards are expected to be outstanding.

As of September 30, 2013, total compensation cost related to non-vested stock options not yet recognized was $371,000 which is expected to be recognized over a weighted average period of approximately 1.7 years. As of September 30, 2013, 1,501,229 shares were vested or expected to vest in the future at a weighted average exercise price of $2.05. As of September 30, 2013, 1,331,592 shares remained available for future grants under the Option Plan.

Restricted Stock: In addition to the stock options discussed above, the Company recognized share-based compensation expense related to restricted stock grants of $240,000 for the nine months ended September 30, 2013. The weighted average estimated fair value of restricted stock grants for the nine months ended September 30, 2013 and 2012 was $0.62 and $0.57 per share, respectively.

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Total unrecognized share-based compensation expense from unvested restricted stock as of September 30, 2013 was $82,000 which is expected to be recognized over a weighted average period of approximately 0.3 years. As of September 30, 2013, 130,863 shares were expected to vest in the future. As of September 30, 2013, 756,017 shares remained available for future grants under the Restricted Stock Plan.

NOTE 11. RELATED PARTY TRANSACTIONS

TFG Radiant Investment Group Ltd. and its affiliates ("TFG Radiant") own approximately 29% of the Company's outstanding common stock as of September 30, 2013. In February 2012, the Company announced the appointment of Victor Lee as President and Chief Executive Officer. Mr. Lee had served on the Company's Board of Directors since November 2011 and is currently the managing director of Tertius Financial Group Pte Ltd, the joint venture partner with Radiant Group in TFG Radiant. In April 2012, the Company appointed the Chairman of TFG Radiant, Mr. Winston Xu (aka Xu Biao), as a member of its Board of Directors.

In June 2012, the Company entered into a supply agreement and a contract manufacturing agreement with TFG Radiant. Under the terms of the contract manufacturing agreement, TFG Radiant will oversee certain aspects of the contract manufacturing process related to the Company's EnerPlex™ line of consumer products. The Company will compensate TFG Radiant for acting as general contractor in the contract manufacturing process. Under the supply agreement, TFG Radiant intends to distribute the Company's consumer products in Asia. In December 2012, the Company entered into a consulting agreement with TFG Radiant for product design, product development and manufacturing coordinating activities provided by TFG Radiant to the Company in connection with the Company's new line of consumer electronic products. The services agreement has a one year term initially, and the services agreement may be terminated by either party upon 10 days prior written notice.

During the nine months ended September 30, 2013, the Company made disbursements to TFG Radiant in the amount of $1,082,000, consisting of $600,000 for consulting fees and $482,000 for finished goods received and deposits for work-in- process. During the three and nine months ended September 30, 2013 and 2012, the Company recognized revenue in the amount of $143,000 and $405,000, respectively, for products sold to TFG Radiant under the supply agreement. As of September 30, 2013 and December 31, 2012, the Company held $10,000 and $596,000, respectively, in receivables due from and deposits paid to TFG Radiant.

NOTE 12. COMMITMENTS AND CONTINGENCIES

On October 21, 2011, the Company was notified that a complaint claiming $3,048,701 for an investment banking fee (the “Lawsuit”) was filed by Jefferies & Company, Inc. (“Jefferies”) against the Company in New York State Supreme Court in the County of New York. In December 2010, Ascent and Jefferies entered into an engagement agreement (the “Fee Agreement”) pursuant to which Jefferies was hired to act as the Company's financial advisor in relation to certain potential transactions.

Ascent has paid Jefferies the fees it believes are owed under the Fee Agreement, which are a $100,000 retainer and approximately $49,000 of out-of-pocket expenses. The discovery process in the case is underway. Jefferies' motion for summary judgment has been denied. A trial date has not been set. Ascent believes that the Lawsuit is without merit. The Company intends to vigorously defend the Lawsuit.

This proceeding is subject to the uncertainties inherent in any litigation. It is subject to many uncertainties and to outcomes that are not predictable with assurance and that may not be known for an extended period of time. The Company records a liability in its financial statements for costs related to claims, including settlements and judgments, where the Company has assessed that a loss is probable and an amount can be reasonably estimated. It is not possible to predict the outcome for this legal proceeding. If the Lawsuit is determined adversely to the Company, the costs associated with this proceeding could have a material adverse effect on the Company's results of operations, financial position and/or cash flows of a future period.

NOTE 13. SUBSEQUENT EVENT

In October 2013, the Company entered into a Securities Purchase Agreement with an investor to offer up to 1,000 shares of Series B-1 and Series B-2 Preferred Stock at a price of $10,000 per share, and gross proceeds of up to

$10,000,000. The Company will be offering the Series B Preferred Stock in two tranches. The first tranche closed on November 1, 2013, with the Company selling 500 shares of Series B-1 Preferred Stock in exchange for gross proceeds of $5,000,000. With the second tranche, the Company will offer either 500 shares of Series B-1 Preferred Stock or 500 shares of Series B-2 Preferred Stock (but not both), which would result in additional gross proceeds to the Company of $5,000,000. The second tranche will not

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close until after the Company's stockholder's approve certain issuances of the securities related to this offering. The Company intends to hold a special meeting as soon as practicable in order to obtain such approval.
The shares issued in the second tranche will be Series B-2 Preferred Stock if the closing price of the Company's common stock on the Nasdaq Stock Market has reached $1.35 or more on any trading day. If this condition is satisfied, the closing of the second tranche would occur immediately after the later of (i) the date of the stockholder approval or (ii) the date that the closing price was $1.35 or more. If the closing price of the Company's common stock has not yet reached $1.35 or more, the Company has the option (exercisable until April 28, 2013) to request that the closing of the second tranche occur within 30 days. In this case, the Company would issue Series B-1 Preferred Stock and the closing of the second tranche would occur immediately after the later of (i) the date of the stockholder approval or (ii) the 30th day following the Company's notice.
Holders of Series B Preferred Stock are entitled to cumulative dividends at a rate of 5.75% per annum when and if declared by the Board of Directors in its sole discretion. The dividends may be paid in cash or in the form of common stock (valued at 8% below market price, but not to exceed the lowest closing price during the applicable measurement period), at the discretion of the Board of Directors. The dividend rate on the Series B Preferred Stock is indexed to the Company's stock price and subject to adjustment. In addition, the Series B Preferred Stock contains a embedded dividend provision whereby, conversion or redemption of the preferred stock within 5 years of issuance will require dividends for the full five year period to be paid by the Company in cash or common stock (valued at 8% below market price, but not to exceed the lowest closing price during the applicable measurement period).
The Series B Preferred Stock may be converted into shares of common stock at the option of the Company if the closing price of the common stock exceeds $2.00, as adjusted, for 20 consecutive trading days, or by the holder at any time. The Company has the right to redeem the Series B Preferred Stock at a price of $10,000 per share, plus any accrued and unpaid dividends, plus the embedded dividend amount (if applicable). The holder of the Series B-1 Preferred Stock may convert to common shares at any time, at no cost, at a conversion price of $1.15 and a ratio of 1 preferred share into 8,696 common shares. The holder of the Series B-2 Preferred Stock (if issued) may convert to common shares at any time, at no cost, at a conversion price of $1.50 and a ratio of 1 preferred share into 6,667 common shares. Conversions by the holder are subject to standard ratable anti-dilution adjustments. Upon any conversion (whether at the option of the Company or the holder), the holder is entitled to receive any accrued but unpaid dividends and also any embedded dividend amount (if applicable).
Except as otherwise required by law (or with respect to approval of certain actions), the Series B Preferred Stock shall have no voting rights. Upon any liquidation, dissolution or winding up of the Company, holders of Series B Preferred Stock will be entitled to be paid out of the Company's assets, on a parity with holders of the Company's common stock and the Company's Series A preferred stock, an amount equal to $10,000 per share plus any accrued but unpaid dividends thereon.

Item 2. 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 our unaudited financial statements and the notes to those financial statements appearing elsewhere in this Form 10-Q. This discussion and analysis contains statements of a forward-looking nature relating to future events or our future financial performance. As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Overview

We are a development stage company formed to commercialize flexible photovoltaic modules using our proprietary technology. Since our formation in October 2005, the majority of our cash outlays have gone toward the investment in capital equipment necessary to develop our manufacturing capabilities for producing the commercial products we

envision and for research and development. For the nine months ended September 30, 2013, we generated $735,000 of revenue. Our product revenue was $609,000 and our revenue from government research and development contracts was $126,000. We do not consider this level of sales sufficient for exiting development stage.

Product revenue for the quarter reflects the shift in our sales strategy to focus on 1) our dual offering of EnerPlex™ consumer products, in addition to our off-grid applications for the specialty markets that employ our technology in a variety of end-use applications, and 2) sales channel and geographic expansion. Our results reflect EnerPlex traction in segments including consumer electronics and outdoor specialty gear. With respect to off-grid products, our co-development partners are developing products for diverse applications in vehicle battery charging, military applications, specialty outdoor gear,

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transportation and aerospace applications. Our product roadmap includes the release of several complimentary products presented in a wide range of wattages which we expect will accelerate our sales traction in the markets noted above. Our geographic expansion includes new distribution and retail relationships in the Americas, Europe and Asia-Pacific Regions.

Our proprietary manufacturing process deposits multiple layers of materials, including a thin film of highly efficient Copper-Indium-Gallium-diSelenide (“CIGS”) semiconductor material, on a flexible, lightweight, plastic substrate using a roll-to-roll manufacturing process and then laser patterns the layers to create interconnected PV cells, or PV modules, in a process known as monolithic integration. We believe that our technology and manufacturing process, which results in a lighter, flexible module package, provides us with a unique market opportunity relative to both the crystalline silicon (“c-Si”) based PV manufacturers that currently lead the PV market, as well as other thin-film PV manufacturers that use substrate materials such as glass, stainless steel or other metals that can be heavier and more rigid than plastics. Due to the high durability of the monolithic integration employed by our technology, the capability to customize modules into different form factors and the industry leading light weight and flexibility provided by our modules, we believe there are numerous potential applications for our products.

We continue to accelerate our transition to a business model focusing on developing PV integrated re-charging solutions for consumer electronics. In June 2012, we launched our new line of consumer products under the EnerPlex™ brand, and introduced our first product, the Surfr™, a case with a solar assisted charger and battery back-up for the Apple® iPhone® 4/4S smart phone featuring our ultra-light CIGS thin film technology. The charger incorporates our ultra-light and thin PV module into a sleek, protective iPhone 4/4S case, along with a thin battery. The charger adds minimal weight and size to an iPhone smart phone, yet provides supplemental charging when needed. In August 2012, we announced the launch of the second version of Surfr, a case with a solar assisted charger and battery back-up for the Samsung® Galaxy S® III, which provides 85% additional battery life.

In December 2012, we launched the EnerPlex Kickr™ and EnerPlex Jumpr™ PV integrated product series. The EnerPlex Kickr IV is an extremely portable, compact and durable solar charging device, approximately seven inches by seven inches when folded, and weighing only 316 grams, or less than half a pound. The Kickr IV provides 6 watts of regulated power that can help charge phones, tablets, digital cameras, and other portable electronic devices. The Kickr IV is ideal for outdoor activities such as camping, hiking and mountain climbing, as well as everyday use.

Complementing the PV integrated series is our Jumpr™ product family. The Jumpr line has no PV component and is focused on providing portable electronics battery re-charging when an electronic outlet is not available. The line consists of the Jumpr Classic (4400 and 7800 milli-Amp hours ("mAh") capacity), the Jumpr Mini (1350 mAh and only 6mm in thickness) and the Jumpr Stack, which includes three Jumpr Mini's (carrying power of 1600 mAh each) and docking station, designed to provide the convenience of the Jumpr Mini for family members on the go.

We continue to design and manufacture PV integrated consumer electronics, as well as portable power applications for commercial and military users, and we have adjusted our equipment utilization to meet our near term sales forecast. Products in these consumer oriented markets are priced based on the overall product value proposition as compared with directly competitive products or substitute products, rather than on a cost per watt basis as typically used in commodity solar markets.

During the first three quarters of 2013, we launched our new retail relationship with Fry's Electronics Inc., a premier California-based retailer. Our entire EnerPlex series of products is now available at all Fry's retail locations, as well as online through www.frys.com.

We also established additional distributor relationships to reach consumers, including:

- Wintec Industries as a distributor of our EnerPlex series to Walmart.com.
- MKRAK Management Inc. as our exclusive distributor to golf pro-shops and select retail stores in the Canadian market.
- Power IT-2 for distribution of our EnerPlex series of consumer products in the United Kingdom.
- Sun2Voltage as our exclusive distributor of EnerPlex products in Scandinavia.
- D.Phone (DiXinTong Inc.), one of China's largest retailers of mobile phones and accessories.
- Hainan Airlines of China, which has over 500 domestic and international routes, including those of its subsidiaries: Shanxi, Chang'an and China Xinhua Airlines.

- West Coast Limited, one of the leading electronics distributors in the United Kingdom and Ireland.

We also launched our retail presence in Colorado through the operation of sales kiosks at Denver International Airport (Concourse B) as well as malls in the Denver Metro area, and also at the world famous Red Rocks Amphitheater. These new retail locations bring us closer to a diverse and educated group of consumers in our home state of Colorado.
Energizer Holdings (NYSE: ENR) chose us to be the solar panel provider for the donated Energizer lanterns and lights used in the One Million Lights program designed to provide, not just light, but opportunity in the developing world. Our panels are used in a 7-LED Energizer® Rechargeable Lantern and a 4-LED Energizer® Rechargeable Area Light. Both solar solutions provide a safe, cost-effective alternative to traditional kerosene lamps for rural families.
In addition, we announced our agreement with the Denver Broncos Football Club to become a 'Hometown Sponsor' for the NFL franchise, a deal which will include in-stadium advertising rights at Sports Authority Field at Mile High and promotional rights for our EnerPlex products.
Our consumer products are available to customers through third party distributors and retailers and through our website at www.GoEnerPlex.com, our retail website. For the balance of 2013 and throughout 2014, we plan to continue our expansion of distribution channels in the U.S. and worldwide.
Commercialization and Manufacturing Strategy
We manufacture our products by affixing a thin CIGS layer to a flexible, plastic substrate using a large format, roll-to-roll process that permits us to fabricate our flexible PV modules in an integrated sequential operation. We use proprietary monolithic integration techniques that enable us to form complete PV modules with less or no costly back end assembly of intercell connections. Traditional PV manufacturers assemble PV modules by bonding or soldering discrete PV cells together. This manufacturing step typically increases manufacturing costs and at times proves detrimental to the overall yield and reliability of the finished product. By reducing or eliminating this added step using our proprietary monolithic integration techniques, we believe that we can achieve cost savings in, and increase the reliability of, our PV modules. All tooling necessary for us to meet our near term production requirements is installed in our Thornton, Colorado plant. In 2012, we accelerated the change in strategy initiated in March 2011 when we revised our strategy to focus on applications for emerging and specialty markets, including off grid, military and defense and consumer oriented products (EnerPlex).
On February 1, 2012, we announced the appointment of Victor Lee as President and Chief Executive Officer. Mr. Lee has served on our Board since November 2011. Mr. Lee is the managing director of Tertius Financial Group Pte Ltd, the joint venture partner with Radiant Group in TFG Radiant.
The addition of TFG Radiant as a major shareholder in August 2011 has significantly improved our capabilities on a number of fronts. TFG Radiant's domicile in China provides us access to high quality, low cost contract manufacturing in Asia through expansion of TFG Radiant existing relationships developed through many years of successful operation in China. Integrating these suppliers into our supply chain enables us to bring our products to market faster. TFG Radiant also provides a global product perspective that significantly improves the product design activities of our Thornton, Colorado designers as they collaborate with designers in Asia. We continue to integrate and improve the design-to-manufacture process where we manufacture modules in our US plant, ship them to Asia for completion into finished goods at low cost and then ship products to all markets we will serve. See Related Party Activity below.
On July 2, 2013, we entered into a framework agreement for the establishment of a joint venture with the Government of the Municipal City of Suqian in Jiangsu Province, China (“Suqian”).
The agreement covers a multi-faceted, three-phase project. Completion of all three phases would involve an anticipated investment of up to $500 million over six years, primarily funded by Suqian.
Under the framework agreement, in the first phase we will form a joint venture entity with Suqian (“JV”) in which we will have majority interest of up to 80%. The JV will build a factory to manufacture our proprietary photovoltaic modules. We will contribute proprietary technology and intellectual property, approximately $1.6 million in cash and certain equipment from our Colorado facility. Suqian will provide cash of approximately $32.5 million as well as rent-free use of a 270,000 square foot factory that is currently being built in the Suqian Economic & Industrial Development Science Park. This factory is expandable to 1,000,000 square feet for phases two and three of the agreement. The total project size of phase one under the agreement is expected to be approximately $160 million. We

will have the right to purchase this factory within the first 5 years at the initial construction cost, as well as the right to purchase Suqian's ownership interest in the JV for a modest nominal cost above Suqian's cash investment.

The implementation of the framework agreement, including the formation of the JV entity, will be subject to a number of contractual conditions and governmental approvals. Such conditions and approvals must be obtained in the future in order for the Suqian factory to be built and become operational.

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We plan to continue the development of our current PV technology to increase module efficiency, improve our manufacturing tooling and process capabilities and reduce manufacturing costs. We also plan to continue to take advantage of research and development contracts to fund a portion of this development.

Related Party Activity

TFG Radiant Investment Group Ltd. and its affiliates ("TFG Radiant") owns approximately 29% of our outstanding common stock as of September 30, 2013. In February 2012, we announced the appointment of Victor Lee as President and Chief Executive Officer. Mr. Lee had served on our Board of Directors since November 2011 and is currently the managing director of Tertius Financial Group Pte Ltd, the joint venture partner with Radiant Group in TFG Radiant. In April 2012, we appointed the Chairman of TFG Radiant, Mr. Winston Xu (aka Xu Biao), as a member of our Board of Directors.

In June 2012, we entered into a supply agreement and a contract manufacturing agreement with TFG Radiant. Under the terms of the contract manufacturing agreement, TFG Radiant will oversee certain aspects of the contract manufacturing process related to our EnerPlex line of consumer products. We will compensate TFG Radiant for acting as general contractor in the contract manufacturing process. Under the supply agreement, TFG Radiant intends to distribute our consumer products in Asia. In December 2012, we entered into a consulting agreement with TFG Radiant for product design, product development and manufacturing coordinating activities provided by TFG Radiant to us in connection with our new line of consumer electronic products. The services agreement has a one year term initially, and the services agreement may be terminated by either party upon 10 days prior written notice.

During the nine months ended September 30, 2013, we made disbursements to TFG Radiant in the amount of $1,082,000, consisting of $600,000 for consulting fees and $482,000 for finished goods received and deposits for work-in-process. During the three and nine months ended September 30, 2013 and 2012, we recognized revenue in the amount of $143,000 and $405,000, respectively, for products sold to TFG Radiant under the supply agreement. As of September 30, 2013 and December 31, 2012, we held $10,000 and $596,000, respectively, in receivables due from and deposits paid to TFG Radiant.

Significant Trends, Uncertainties and Challenges

We believe that the significant trends, uncertainties and challenges that directly or indirectly affect our financial performance and results of operations include whether:

- we can generate customer acceptance of and demand for our products;
- we successfully ramp up commercial production on the equipment installed;
- our products are successfully and timely certified for use in our target markets;
- we successfully operate production tools to achieve the efficiencies, throughput and yield necessary to reach our cost targets;
- the products we design are saleable at a price sufficient to generate profits;
- our strategic alliance with TFG Radiant results in the design, manufacture and sale of sufficient products to achieve profitability;
- we raise sufficient capital to enable us to reach a level of sales sufficient to achieve profitability, on terms favorable to us;
- we are able to be successful in designing, manufacturing, marketing, distributing and selling our newly introduced line of consumer oriented products;
- we effectively manage the planned ramp up of our operations;
- we are able to maintain the listing of our common stock on The NASDAQ Global Market or Capital Market;
- we are able to achieve projected operational performance and cost metrics;
- we successfully develop and maintain strategic relationships with key partners, including OEMs, system integrators and distributors, who deal directly with end users in our target markets;
- we are able to enter into commercially viable licensing, joint venture, or other commercial arrangements; and
- raw materials are available to us on acceptable terms and in sufficient quantities.

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Critical Accounting Policies and Estimates

Critical accounting policies used in reporting our financial results are reviewed by management on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Processes used to develop these estimates are evaluated on an ongoing basis. Estimates are based on historical experience and various other assumptions that are believed to be reasonable for making judgments about the carrying value of assets and liabilities. Actual results may differ as outcomes from assumptions may change.

Our significant accounting policies were described in Note 3 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. There have been no changes to these policies that are of potential significance to us during the nine months ended September 30, 2013.

Recent Accounting Pronouncements

See Note 3, "Summary of Significant Accounting Policies," in the Notes to Condensed Financial Statements. There are no new accounting pronouncements that are of significance or potential significance to us.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2013 and 2012

Our activities to date have substantially consisted of raising capital, business and product development, research and development and the development of our production lines.

Revenues. Our revenues were $275,000 for the three months ended September 30, 2013 compared to $556,000 for the three months ended September 30, 2012, a decrease of $281,000. Revenues for the three months ended September 30, 2013 include $267,000 of product sales compared to $474,000 for the three months ended September 30, 2012, a decrease of $207,000. Revenues earned on our government research and development contracts decreased by $74,000 during the three months ended September 30, 2013, due to the winding down of several government contracts.

Our revenues were $735,000 for the nine months ended September 30, 2013 compared to $1,152,000 for the nine months ended September 30, 2012, a decrease of $417,000. Revenues for the nine months ended September 30, 2013 include $609,000 of product sales compared to $547,000 for the nine months ended September 30, 2012, an increase of $62,000. Revenues earned on our government research and development contracts decreased by $479,000 during the nine months ended September 30, 2013, due to the winding down of several government contracts.

Research and development. Research and development costs were $5,336,000 for the three months ended September 30, 2013 compared to $5,730,000 for the three months ended September 30, 2012, a decrease of $394,000. Research and development costs include the costs incurred for production activities in our manufacturing facility and facility and equipment infrastructure costs. Research and development costs also include costs related to our governmental contracts. Costs related to production activities decreased by $352,000. The production cost decrease was comprised of consulting and contract service costs of $397,000, materials and equipment related costs of $89,000, facility costs of $42,000, depreciation and amortization of $36,000 and stock option expense of $21,000, offset by an increase in personnel related costs of $245,000. Governmental research and development expenditures decreased by $42,000 in the three months ended September 30, 2013. This decrease was comprised of consulting and contract services costs of $27,000, materials and equipment related costs of $25,000 and facility costs of $16,000, offset by an increase in personnel related costs of $28,000.

Research and development costs were $16,246,000 for the nine months ended September 30, 2013 compared to $14,950,000 for the nine months ended September 30, 2012, an increase of $1,296,000. Research and development costs include the costs incurred for production activities in our manufacturing facility and facility and equipment infrastructure costs. Research and development costs also include costs related to our governmental contracts. Costs related to production activities increased by $1,637,000. The production cost increase was comprised of personnel related costs of $751,000, materials and equipment related costs of $675,000 and consulting and contract service costs of $552,000, offset by decreases in facility related costs of $220,000, stock option expense of $52,000, depreciation and amortization of $42,000 and other manufacturing related expenses of $27,000. Governmental research and development expenditures decreased by $341,000 in the nine months ended September 30, 2013. This decrease is the result of reductions in consulting and contract service costs of $272,000, facilities related costs of $48,000, material

and equipment related costs of $34,000 and stock option expense of $17,000, offset by an increase in personnel related costs of $35,000.

Selling, general and administrative. Selling, general and administrative expenses were $1,385,000 for the three months ended September 30, 2013 compared to $1,188,000 for the three months ended September 30, 2012, an increase of $197,000.

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This increase is comprised of consulting and contract service costs of $237,000, marketing costs of $180,000 and personnel related costs of $112,000, offset by decreases in legal costs of $219,000, public company costs of $75,000, safety related costs of $26,000 and stock option expense of $15,000.
Selling, general and administrative expenses were $4,238,000 for the nine months ended September 30, 2013 compared to $3,868,000 for the nine months ended September 30, 2012, an increase of $370,000. This increase is comprised of consulting and contract service costs of $535,000, marketing related costs of $439,000 and personnel related costs of $38,000, offset by decreases in legal costs of $182,000, moving expenses of $162,000, stock option expense of $154,000, public company costs of $110,000 and facility and IT related costs of $49,000.
Other Income / (Expense), net. Other Income / (Expense) was $107,000 net expense for the three months ended September 30, 2013 compared to $37,000 net expense for the three months ended September 30, 2012, an increase of $70,000, primarily the result of an increase in interest expense as we are no longer capitalizing interests costs on our manufacturing facility building loan.
Other Income / (Expense) was $320,000 net expense for the nine months ended September 30, 2013 compared to $149,000 net expense for the nine months ended September 30, 2012, an increase of $171,000, primarily the result of an increase in interest expense as we are no longer capitalizing interests costs on our manufacturing facility building loan.
Net Loss. Our Net Loss was $6,482,000 for the three months ended September 30, 2013 compared to a Net Loss of $6,398,000 for the three months ended September 30, 2012, an increase of $84,000.
Our Net Loss was $19,999,000 for the nine months ended September 30, 2013 compared to a Net Loss of $17,815,000 for the nine months ended September 30, 2012, an increase of $2,185,000.

The increase in Net Loss can be summarized in variances in significant account activity as follows:

	Decrease (increase) to Net Loss For the Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012	Decrease (increase) to Net Loss For the Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012
Revenues		
Products	$(207,000)	$62,000
Government Contracts	(74,000)	(479,000)
Research and development costs		
Manufacturing research and development	331,000	(1,689,000)
Government research and development	39,000	324,000
Non-cash stock based compensation	24,000	69,000
Selling, general and administrative expenses		
Corporate selling, general and administrative	(212,000)	(524,000)
Non-cash stock based compensation	15,000	154,000
Other Income / (Expense)		
Other Income / (Expense), net	(70,000)	(171,000)
Change in fair value of make-whole dividend liability	70,000	70,000
Increase to Net Loss	$(84,000)	$(2,184,000)

Liquidity and Capital Resources
As of September 30, 2013, we had approximately $3.9 million in cash and cash equivalents and working capital of $2.6 million. We are in the development stage and are currently incurring significant losses from operations as we

work toward further commercialization.
In May 2013, we sold 2,500,000 shares of common stock in a private placement for proceeds of $1.4 million.
In June and August 2013, we sold 750,000 shares of Series A Preferred Stock at a price of $8.00 per share to an investor, resulting in gross proceeds of $6,000,000. This purchase included warrants to purchase up to 2,625,000 shares of our common stock.

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Holders of Series A Preferred Stock are entitled to cumulative dividends at a rate of 8.0% per annum when and if declared by the Board of Directors in its sole discretion. The dividends may be paid in cash or in the form of common stock (valued at 10% below market price, but not to exceed the lowest closing price during the applicable measurement period), at the discretion of the Board of Directors. The dividend rate on the Series A Preferred Stock is indexed to our stock price and subject to adjustment. In addition, the Series A Preferred Stock contains a make-whole provision whereby, conversion or redemption of the preferred stock within 4 years of issuance will require dividends for the full four year period to be paid by us in cash or common stock (valued at 10% below market price, but not to exceed the lowest closing price during the applicable measurement period).

In September 2013, the holder of the Series A Preferred Shares converted 37,610 preferred shares into 376,100 shares of common stock. As a result of this conversion, we paid a make-whole dividend on the conversion of Series A preferred stock in the amount of 123,909 shares of common stock in lieu of a cash payment of $107,000. In October 2013, the holder of the Series A Preferred Shares twice converted preferred shares; a total of 350,000 preferred shares converted into 3,500,000 shares of common stock. As a result of these conversions, we paid make-whole dividends totaling 872,726 shares of common stock in lieu of cash payments of $656,000.

The Series A Preferred Stock may be converted into shares of common stock at our option if the closing price of common stock exceeds $1.60, as adjusted, for 20 consecutive trading days, or by the holder at any time. We have the right to redeem the Series A preferred stock at a price of $8.00 per share, plus any accrued and unpaid dividends, plus the make-whole amount (if applicable). As of September 30, 2013, we were entitled to redeem the outstanding preferred shares for $5.7 million in cash, plus a make-whole amount of $1.7 million, payable in cash or common shares. At September 30, 2013, the preferred shares were not eligible for conversion to common shares at our option. The holder of the preferred shares may convert to common shares at any time, at no cost, at a ratio of 1 preferred share into 10 common shares (subject to standard ratable anti-dilution adjustments). Upon any conversion (whether at our option or the option of the holder), the holder is entitled to receive any accrued but unpaid dividends and also any make-whole amount (if applicable).

Except as otherwise required by law (or with respect to approval of certain actions), the Series A Preferred Stock shall have no voting rights. Upon any liquidation, dissolution or winding up of our operations, after payment or provision for payment of debts and other liabilities, the holders of Series A Preferred Stock shall be entitled to receive, pari passu with any distribution to the holders of our common stock, an amount equal to $8.00 per share of Series A Preferred Stock plus any accrued and unpaid dividends.

The warrants offered as part of the Securities Purchase Agreement have a three year term and require payment of an exercise price of $0.90 per common share to us.

In October 2013, we entered into a Securities Purchase Agreement with an investor to offer up to 1,000 shares of Series B-1 and Series B-2 Preferred Stock at a price of $10,000 per share, and gross proceeds of up to $10,000,000. We will be offering the Series B Preferred Stock in two tranches. The first tranche closed on November 1, 2013, with us selling 500 shares of Series B-1 Preferred Stock in exchange for gross proceeds of $5,000,000. With the second tranche, we will offer either 500 shares of Series B-1 Preferred Stock or 500 shares of Series B-2 Preferred Stock (but not both), which would result in additional gross proceeds to us of $5,000,000. The second tranche will not close until after our stockholder's approve certain issuances of the securities related to this offering. We intend to hold a special meeting as soon as practicable in order to obtain such approval.

The Series B-1 Preferred Stock is convertible into common stock at a fixed conversion price of $1.15 per share of common stock. The Series B-2 Preferred Stock (if issued) will be convertible into common stock at a fixed conversion price of $1.50 per share of common stock. The shares issued in the second tranche will be Series B-2 Preferred Stock if the closing price of our common stock on the Nasdaq Stock Market has reached $1.35 or more on any trading day. If this condition is satisfied, the closing of the second tranche would occur immediately after the later of (i) the date of the stockholder approval or (ii) the date that the closing price was $1.35 or more. If the closing price of pur common stock has not yet reached $1.35 or more, we have the option (exercisable until April 28, 2013) to request that the closing of the second tranche occur within 30 days. In this case, we would issue Series B-1 Preferred Stock and the closing of the second tranche would occur immediately after the later of (i) the date of the stockholder approval or (ii) the 30th day following our notice.

Holders of Series B Preferred Stock are entitled to cumulative dividends at a rate of 5.75% per annum when and if declared by the Board of Directors in its sole discretion. The dividends may be paid in cash or in the form of common stock (valued at 8% below market price, but not to exceed the lowest closing price during the applicable measurement period), at the discretion of the Board of Directors. The dividend rate on the Series B Preferred Stock is indexed to our stock price and subject to adjustment. In addition, the Securities Purchase Agreement contains a embedded dividend provision whereby, conversion or redemption of the preferred stock within 5 years of issuance will require dividends for the full five year period to be paid by us in cash or common stock (valued at 8% below market price, but not to exceed the lowest closing price during the applicable measurement period).

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The Series B Preferred Stock may be converted into shares of common stock at our option if the closing price of the common stock exceeds $2.00, as adjusted, for 20 consecutive trading days, or by the holder at any time. We have the right to redeem the Series B Preferred Stock at a price of $10,000 per share, plus any accrued and unpaid dividends, plus the embedded dividend amount (if applicable). The holder of the Series B-1 Preferred Stock may convert to common shares at any time, at no cost, at a conversion price of $1.15 and a ratio of 1 preferred share into 8,696 common shares. The holder of the Series B-2 Preferred Stock (if issued) may convert to common shares at any time, at no cost, at a conversion price of $1.50 and a ratio of 1 preferred share into 6,667 common shares. Conversions by the holder are subject to standard ratable anti-dilution adjustments. Upon any conversion (whether at our option or the holder), the holder is entitled to receive any accrued but unpaid dividends and also any embedded dividend amount (if applicable).

Except as otherwise required by law (or with respect to approval of certain actions), the Series B Preferred Stock shall have no voting rights. Upon any liquidation, dissolution or winding up,, holders of Series B Preferred Stock will be entitled to be paid out of our assets, on a parity with holders of our common stock and our Series A preferred stock, an amount equal to $10,000 per share plus any accrued but unpaid dividends thereon.

We have commenced production at our manufacturing facility. We do not expect that sales revenue and cash flows will be sufficient to support operations and cash requirements until we have fully implemented our new consumer products strategy. Changes in the level of expected operating losses, the timing of planned capital expenditures or other factors may negatively impact cash flows and reduce current cash and investments faster than anticipated. During the nine months ended September 30, 2013, we used $15.0 million in cash for operations. In 2013, we expect to incur a base level of maintenance capital expenditures and relatively minor improvements to the existing asset base. Our primary significant long term obligation consists of a note payable of $6.4 million to a financial institution secured by a mortgage on our headquarters and manufacturing building in Thornton, Colorado. Total payments of $0.2 million, including principal and interest, will come due in the remainder of 2013. Additional projected product revenues are not anticipated to result in a positive cash flow position for the year 2013 overall. Following the closing of the first tranche of our Series B Preferred Stock offering in November 2013, we believe that we will need to raise additional capital during 2014 in order the continue our current level of operations through the end of 2014 and into 2015. We continue to accelerate sales and marketing efforts related to our consumer products strategy through increased hiring. We have begun activities related to securing additional financing through strategic or financial investors, but there is no assurance that we will be able to raise additional capital on acceptable terms or at all. If our revenues do not increase rapidly, and/or additional financing is not obtained, we will be required to significantly curtail operations to reduce costs and/or sell assets. Such actions would likely have an adverse impact on our future operations.

For the nine months ended September 30, 2013, our cash used in operations was $15.0 million compared to $12.8 million for the nine months ended September 30, 2012, an increase of $2.2 million. The increase in cash used in operating activities is primarily the result of an increase in net loss of $2.3 million as we ramp up spending while pushing toward commercialization. For the nine months ended September 30, 2013, our cash used in investing activities was $0.9 million compared to cash provided by investing activities of $8.6 million for the nine months ended September 30, 2012, a net decrease of $9.5 million. The decrease in cash provided by (used in) investing activities is the result of liquidating our investments of $12.6 million for operations in the nine months ended September 30, 2012, partially offset by a reduction in equipment purchases of $3.4 million. During the nine months ended September 30, 2013, expenditures for equipment purchases of $0.5 million and spending on patents of $0.4 million, combined with negative operating cash flows of $15.0 million, were funded through $7.3 million of funding received from private placements and the use of cash and cash equivalents held at December 31, 2012.

On April 11, 2012, we received notice from The NASDAQ Stock Market (“Nasdaq”) stating that because we had not regained compliance with the $1.00 minimum bid price requirement for continued listing, our common stock (listed on The Nasdaq Global Market) would be subject to delisting. On August 17, 2012, we received notification from The Nasdaq Listing Qualifications department that we had regained compliance with the minimum bid price requirement, and that our noncompliance had been rectified. On December 5, 2012, we received notice from Nasdaq stating that we had fallen out of compliance with the $1.00 minimum bid price requirement for continued listing. On August 5, 2013,

we received notification from The Nasdaq Listing Qualifications department that we had regained compliance with the minimum bid price requirement, and that our noncompliance had been rectified. On September 19, 2013, we received notice from Nasdaq stating that we had again fallen out of compliance with the $1.00 minimum bid price requirement for continued listing. This notice has no immediate effect on the listing of our common stock on The Nasdaq Global Market. We have been provided an initial compliance period of 180 calendar days, or until March 18, 2014, for our closing bid price to meet or exceed $1.00 per share for a minimum of 10 consecutive business days. If this initial compliance period were to expire, we could request a hearing which would stay any delisting action in connection with the notice and allow the continued listing of our common stock until the Panel renders a decision subsequent to the hearing. There can be no assurance that our plans to exercise diligent efforts to maintain the listing of our common stock on The Nasdaq Global Market will be successful. If not successful, there may be a negative impact on our ability to raise capital through the equity markets, however, we could effect a reverse stock split, although such a split may have negative implications as well.

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Contractual Obligations

The following table presents our contractual obligations as of September 30, 2013. Our long-term debt obligation is related to our building loan reflecting both principal and interest. Our purchase obligations include orders for equipment, inventory and operating expenses.

		Payments Due by Year (in thousands)			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	$9,941	$693	$2,081	$2,081	$5,086
Operating lease obligations	54	54	—	—	—
Purchase obligations	596	596	—	—	—
Total	$10,591	$1,343	$2,081	$2,081	$5,086

Off Balance Sheet Transactions

As of September 30, 2013, we did not have any off balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Historically, we have purchased manufacturing equipment internationally, which exposes us to foreign currency risk. From time to time we enter into foreign currency fair value hedges utilizing forward contracts designed to match scheduled contractual payments to equipment suppliers. Our objective is to fix the dollar amount of our foreign currency denominated manufacturing equipment purchases at the time of order. Although our hedging activity is designed to fix the dollar amount to be expended, the asset purchased is recorded at the spot foreign currency rate in effect as of the date of the payment to the supplier. The difference between the spot rate and the forward rate has been reported as gain or loss on forward contract. We cannot accurately predict future exchange rates or the overall impact of future exchange rate fluctuations on our business, results of operations and financial condition. All forward contracts entered into by us have been settled on the contract settlement dates, the last of which was settled in December 2009.

Although our reporting currency is the U.S. Dollar, we may conduct business and incur costs in the local currencies of other countries in which we may operate, make sales and buy materials. As a result, we are subject to currency translation risk. Further, changes in exchange rates between foreign currencies and the U.S. Dollar could affect our future net sales and cost of sales and could result in exchange losses.

Interest Rate Risk

Our exposure to market risks for changes in interest rates relates primarily to our cash equivalents. As of September 30, 2013, our cash equivalents consisted only of federally insured operating and savings accounts held with financial institutions. From time to time we hold money market funds, investments in U.S. government securities and high quality corporate securities. The primary objective of our investment activities is to preserve principal and provide liquidity on demand, while at the same time maximizing the income we receive from our investments without significantly increasing risk. The direct risk to us associated with fluctuating interest rates is limited to our investment portfolio and we do not believe that a change in interest rates will have a significant impact on our financial position, results of operations or cash flows.

Credit Risk

From time to time we hold certain financial and derivative instruments that potentially subject us to credit risk. These consist primarily of cash, cash equivalents, restricted cash, investments and foreign currency option contracts. We are exposed to credit losses in the event of nonperformance by the counter parties to our financial and derivative instruments. We place cash, cash equivalents, investments and forward foreign currency option contracts with various high-quality financial institutions, and exposure is limited at any one institution. We continuously evaluate the credit standing of our counter party financial institutions.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission (SEC) rules and forms. Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 and 15d-15 under the Exchange Act as of September 30, 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2013, our disclosure controls and procedures were effective.

Changes in Internal Control over Disclosure and Reporting

There was no change in our internal control over financial reporting that occurred during the quarterly period ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 21, 2011, we were notified that a complaint (the “Lawsuit”) was filed by Jefferies against us in state court located in the County and State of New York.

In December 2010, we and Jefferies entered into an engagement agreement (the “Fee Agreement”) pursuant to which Jefferies was hired to act as our financial advisor in relation to certain potential transactions. In the Lawsuit, Jefferies claims that it is entitled to receive an investment banking fee of $3 million (plus expense reimbursement of approximately $49,000) under the Fee Agreement in connection with the August 2011 investment and strategic alliance transaction (the “Financing”) between us and TFG Radiant.

At the August 12, 2011 closing of the Financing, we received aggregate proceeds of $7,360,000 from the sale to TFG Radiant of 6,400,000 shares of our common stock (the “Tranche 1 Shares”) at a price of $1.15 per share. TFG Radiant also received an option to purchase an additional 9,500,000 shares of Ascent stock (the “Tranche 2 Shares”) at a price of $1.55 per share. We have not received any proceeds from the option for the Tranche 2 Shares because such option is not currently exercisable.

We have paid Jefferies the fees we believe are owed under the Fee Agreement, which are a $100,000 retainer and approximately $49,000 of out-of-pocket expenses. The discovery process in the case is underway. Jefferies' motion for summary judgment has been denied. A trial date has not been set. We believe that the Financing is not a covered transaction under the Fee Agreement and, accordingly, that the Lawsuit is without merit. We intend to vigorously defend the Lawsuit.

This proceeding is subject to the uncertainties inherent in any litigation. It is subject to many uncertainties and to outcomes that are not predictable with assurance and that may not be known for an extended period of time. We record a liability in our financial statements for costs related to claims, including future legal costs, settlements and judgments, where we have assessed that a loss is probable and an amount can be reasonably estimated. It is not possible to predict the outcome for this legal proceeding. If the Lawsuit is determined adversely to Ascent, the costs associated with this proceeding could have a material adverse effect on our results of operations, financial position or cash flows of a future period.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the updated risk factors in our Annual Report on Form 10-K filed on March 14, 2013, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K filed on March 14, 2013 are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

Not required.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

A list of exhibits is found on page 27 of this report.

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ASCENT SOLAR TECHNOLOGIES, INC.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 7th day of November, 2013.

ASCENT SOLAR TECHNOLOGIES, INC.

By: /S/ BILL GREGORAK
Bill Gregorak
Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

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ASCENT SOLAR TECHNOLOGIES, INC.
EXHIBIT INDEX

Exhibit No.	Description
4.1	Certificate of Designations of Series A Preferred Stock (filed as Exhibit 4.2 to our Registration Statement on Form S-3 filed July 1, 2013 (Reg. No. 333-189739)).
4.2	Form of Warrant (filed as Exhibit 4.3 to our Registration Statement on Form S-3 filed July 1, 2013 (Reg. No. 333-189739)).
4.3	Certificate of Designations of Series B-1 and B-2 Preferred Stock (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed October 30, 2013)
10.1	Securities Purchase Agreement, dated June 17, 2013, between the Company and Seng Wei Seow (filed as Exhibit 10.2 to our Registration Statement on Form S-3 filed July 1, 2013 (Reg. No. 333-189739)).
10.2	Registration Rights Agreement dated June 17, 2013 between the Company and Seng Wei Seow (filed as exhibit 10.2 to our Current Report on Form 8-K filed June 21, 2013).
10.3	First Amendment dated August 7, 2013 to Securities Purchase Agreement and Registration Rights Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 7, 2013)
10.4	Second Amendment dated August 13, 2013 to Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 15, 2013)
10.5	Framework Agreement, dated July 2, 2013, between the Company and the Government of the Municipal City of Suqian in Jiangsu Province, China (incorporated by reference to Exhibit 10.5 to our Registration Statement on Form S-3 filed August 29, 2013 (Reg. No. 333-190701), as amended)
10.6	Stock Purchase Agreement, dated October 28, 2013 between the Company and Ironridge Technology Co., a division of Ironridge Global IV, Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 30, 2013)
31.1*	Chief Executive Officer Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002

31.2*	Chief Financial Officer Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Exchange Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.