

Ascent Solar Technologies, Inc.
Form 10-Q
November 08, 2012
Table of Contents

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2012

or

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 (I.R.S. Employer
incorporation or organization) 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 31, 2012, there were 51,011,035 shares of our common stock issued and outstanding.

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
Quarterly Report on Form 10-Q
Quarterly Period Ended September 30, 2012
Table of Contents

PART I. FINANCIAL INFORMATION

| | | |
|---------|---|-----------|
| Item 1. | <u>Condensed Financial Statements (unaudited)</u> | <u>3</u> |
| | <u>Condensed Balance Sheets—As of September 30, 2012 and December 31, 2011</u> | <u>3</u> |
| | <u>Condensed Statements of Operations and Comprehensive Income (Loss)—For the three and nine months ended September 30, 2012 and September 30, 2011 and for the period from inception (October 18, 2005) through September 30, 2012</u> | <u>4</u> |
| | <u>Condensed Statements of Cash Flows—For the nine months ended September 30, 2012 and September 30, 2011 and for the period from inception (October 18, 2005) through September 30, 2012</u> | <u>5</u> |
| | <u>Notes to Condensed Financial Statements</u> | <u>6</u> |
| Item 2. | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>11</u> |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>17</u> |
| Item 4. | <u>Controls and Procedures</u> | <u>17</u> |

PART II. OTHER INFORMATION

| | | |
|----------|--|-----------|
| Item 1. | <u>Legal Proceedings</u> | <u>19</u> |
| Item 1A. | <u>Risk Factors</u> | <u>19</u> |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>19</u> |
| Item 3. | <u>Defaults Upon Senior Securities</u> | <u>19</u> |
| Item 4. | <u>Mine Safety Disclosures</u> | <u>19</u> |
| Item 5. | <u>Other Information</u> | <u>19</u> |
| Item 6. | <u>Exhibits</u> | <u>19</u> |
| | <u>SIGNATURES</u> | <u>21</u> |
| | <u>EXHIBIT INDEX</u> | <u>22</u> |

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

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

| | September 30, 2012 | December 31, 2011 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$18,573,299 | \$11,298,885 |
| Investments | — | 12,616,097 |
| Trade receivables, net of allowance for doubtful accounts of \$5,839 | 101,490 | 342,087 |
| Related party receivables and deposits | 631,825 | — |
| Inventories | 2,367,521 | 2,469,123 |
| Prepaid expenses and other current assets | 501,950 | 386,624 |
| Total current assets | 22,176,085 | 27,112,816 |
| Property, Plant and Equipment: | 43,828,298 | 36,897,531 |
| Less accumulated depreciation and amortization | (12,423,385) | (7,964,875) |
| | 31,404,913 | 28,932,656 |
| Other Assets: | | |
| Restricted cash | — | 1,427,053 |
| Deposits on manufacturing equipment | 561,812 | 3,582,883 |
| Patents, net of amortization of \$42,374 and \$28,248, respectively | 368,316 | 308,785 |
| Other non-current assets | 57,500 | 60,312 |
| | 987,628 | 5,379,033 |
| Total Assets | \$54,568,626 | \$61,424,505 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$472,462 | \$658,834 |
| Accrued expenses | 1,983,550 | 1,846,997 |
| Accrued property, plant and equipment | 367,804 | 1,626,317 |
| Current portion of long-term debt | 260,611 | 648,059 |
| Total current liabilities | 3,084,427 | 4,780,207 |
| Long-Term Debt | 6,418,012 | 6,615,070 |
| Accrued Warranty Liability | 37,578 | 26,660 |
| Commitments and Contingencies (Notes 4 & 12) | | |
| Stockholders' Equity: | | |
| Preferred stock, \$0.0001 par value, 25,000,000 shares authorized, no shares outstanding | — | — |
| Common stock, \$0.0001 par value, 125,000,000 shares authorized; 51,008,535 and 39,345,459 shares issued and outstanding, respectively | 5,101 | 3,935 |
| Additional paid in capital | 245,845,271 | 233,004,550 |
| Deficit accumulated during the development stage | (200,821,763) | (183,006,936) |
| Accumulated other comprehensive income (loss) | — | 1,019 |
| Total stockholders' equity | 45,028,609 | 50,002,568 |

Edgar Filing: Ascent Solar Technologies, Inc. - Form 10-Q

| | | |
|--|--------------|--------------|
| Total Liabilities and Stockholders' Equity | \$54,568,626 | \$61,424,505 |
|--|--------------|--------------|

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

3

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(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, 2012 |
|---|---|----------------|--|-----------------|--|
| | 2012 | 2011 | 2012 | 2011 | |
| Revenues | | | | | |
| Products * | \$473,657 | \$156,247 | \$546,609 | \$456,987 | \$1,896,520 |
| Government contracts | 82,030 | 832,260 | 605,195 | 2,742,158 | 9,653,433 |
| Total Revenues | 555,687 | 988,507 | 1,151,804 | 3,199,145 | 11,549,953 |
| Costs and Expenses | | | | | |
| Research and development | 5,729,598 | 4,144,608 | 14,950,061 | 19,440,379 | 94,635,744 |
| Selling, general and administrative | 1,187,711 | 1,524,191 | 3,868,035 | 5,619,769 | 39,690,065 |
| Impairment loss | — | — | — | 78,000,000 | 79,769,480 |
| Total Costs and Expenses | 6,917,309 | 5,668,799 | 18,818,096 | 103,060,148 | 214,095,289 |
| Loss from Operations | (6,361,622) | (4,680,292) | (17,666,292) | (99,861,003) | (202,545,336) |
| Other Income/(Expense), net | (36,833) | (683,086) | (148,535) | (325,897) | 1,723,573 |
| Net Loss | \$(6,398,455) | \$(5,363,378) | \$(17,814,827) | \$(100,186,900) | \$(200,821,763) |
| Other Comprehensive Income (Loss) | | | | | |
| Unrealized gain (loss) on investments | — | 1,502 | — | 3,126 | — |
| Comprehensive Loss | \$(6,398,455) | \$(5,361,876) | \$(17,814,827) | \$(100,183,774) | \$(200,821,763) |
| Net Loss Per Share (Basic and diluted) | \$(0.15) | \$(0.15) | \$(0.43) | \$(2.99) | |
| Weighted Average Common Shares Outstanding (Basic and diluted) | 42,490,471 | 35,915,727 | 41,410,374 | 33,562,851 | |

* Includes related party revenue of \$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.

Table of Contents

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

| | For the Nine Months Ended | | For the Period |
|---|---------------------------|------------------|--------------------|
| | September 30, | | from Inception |
| | 2012 | 2011 | (October 18, 2005) |
| | | | through |
| | | | September 30, |
| | | | 2012 |
| Operating Activities: | | | |
| Net loss | \$(17,814,827) | \$(100,186,900) | \$(200,821,763) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 4,664,985 | 6,146,953 | 23,012,009 |
| Stock based compensation | 761,351 | 1,279,516 | 12,648,728 |
| Common stock issued for services | — | 58,950 | 58,950 |
| Realized loss on forward contracts | — | (63,915) | 1,430,766 |
| Foreign currency transaction loss (gain) | 5,365 | (193,874) | (590,433) |
| Amortization of financing costs and discounts | — | — | 998,565 |
| Impairment loss | — | 78,000,000 | 79,769,480 |
| Contract cancellation loss | — | 566,696 | 590,774 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 240,597 | 54,471 | (101,490) |
| Related party receivables and deposits | (631,825) | 2,524 | (631,825) |
| Inventories | 101,602 | (1,245,296) | (2,367,521) |
| Prepaid expenses and other current assets | (115,326) | 65,380 | (501,950) |
| Accounts payable | (186,372) | (813,435) | 472,462 |
| Related party payable | — | (54,037) | — |
| Accrued expenses | 136,553 | (436,349) | 1,256,057 |
| Deferred revenue | — | (250,705) | — |
| Warranty reserve | 10,918 | 8,973 | 37,578 |
| Net cash used in operating activities | (12,826,979) | (17,061,048) | (84,739,613) |
| Investing Activities: | | | |
| Purchases of available-for-sale securities | (638,572) | (26,244,858) | (907,118,827) |
| Maturities and sales of available-for-sale securities | 13,253,650 | 26,505,366 | 907,118,828 |
| Purchase of property, plant and equipment | (5,363,111) | (9,077,497) | (133,917,907) |
| Restricted cash for manufacturing equipment | 1,427,053 | 1,786,653 | — |
| Patent activity costs | (73,657) | (63,312) | (385,733) |
| Net cash provided by (used in) investing activities | 8,605,363 | (7,093,648) | (134,303,639) |
| 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 | (584,506) | (522,752) | (2,121,377) |
| Proceeds from shareholder under Section 16(b) | — | — | 148,109 |
| Proceeds from issuance of stock and warrants | 12,080,536 | 7,241,727 | 242,513,552 |

Edgar Filing: Ascent Solar Technologies, Inc. - Form 10-Q

| | | | | |
|--|---------------|--------------|---------------|------------|
| Redemption of Class A warrants | — | — | (48,128 |) |
| Net cash provided by financing activities | 11,496,030 | 6,718,975 | 237,616,551 | |
| Net change in cash and cash equivalents | 7,274,414 | (17,435,721 |) | 18,573,299 |
| Cash and cash equivalents at beginning of period | 11,298,885 | 27,303,217 | — | |
| Cash and cash equivalents at end of period | \$ 18,573,299 | \$ 9,867,496 | \$ 18,573,299 | |
| Non-Cash Transactions: | | | | |
| ITN initial contribution of assets for equity | \$— | \$— | \$ 31,200 | |
| Note with ITN and related capital expenditures | \$— | \$— | \$ 1,100,000 | |

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

Table of Contents

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, and establishment of its production plant. 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 PV modules 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 Comprehensive Income (Loss) 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, 2011 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, 2011. 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, 2011.

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, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

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, 2011. 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, 2012 that are of significance or potential significance to the Company.

NOTE 4. LIQUIDITY AND CONTINUED OPERATIONS

As of September 30, 2012, the Company had \$18.6 million in cash and working capital of \$19.1 million. During the nine months ended September 30, 2012, the Company sold 1,972,181 shares of common stock under its At-The-Market facility for aggregate net proceeds of \$1.9 million. In September 2012 the Company completed a firm commitment offering for 9,166,700 shares of common stock and received net proceeds of \$10.2 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

Table of Contents

Company made cash payments of \$5.4 million in the nine months ended September 30, 2012 for property, plant and equipment. The Company has remaining obligations for equipment purchases in the amount of \$0.6 million, of which \$0.4 million is recorded in "Accrued property, plant and equipment".

The Company has commenced limited 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 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. The Company expects the current cash balance to be sufficient to cover planned capital and operational expenditures through 2013 based on currently known factors and limited projected revenues, and absent new cost reduction initiatives. However, the Company may need to raise additional capital in the future. There is no assurance that the Company will be able to raise additional capital on acceptable terms or at all.

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.

NOTE 5. RESTRICTED CASH

From time to time the Company establishes irrevocable letters of credit with its bank, collateralized by interest bearing accounts, in favor of equipment vendors. As of December 31, 2011, \$1.4 million was restricted under letters of credit. No amounts were restricted as of September 30, 2012. Amounts restricted under letters of credit are classified as "Restricted cash" under "Other Assets" in the Condensed Balance Sheets.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment as of September 30, 2012 and December 31, 2011:

| | As of September 30, 2012 | As of December 31, 2011 |
|--|--------------------------------|----------------------------|
| Building | \$5,820,734 | \$ 5,762,935 |
| Furniture, fixtures, computer hardware and computer software | 339,820 | 339,820 |
| Manufacturing machinery and equipment | 33,133,276 | 29,673,297 |
| Leasehold improvements | 884,709 | 884,709 |
| Net depreciable property, plant and equipment | 40,178,539 | 36,660,761 |
| Manufacturing machinery and equipment in progress | 3,649,759 | 236,770 |
| Property, plant and equipment | 43,828,298 | 36,897,531 |
| Less: Accumulated depreciation and amortization | (12,423,385) | (7,964,875) |
| Net property, plant and equipment | \$31,404,913 | \$ 28,932,656 |

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

7

Table of Contents

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, 2012 and 2011 was \$1,578,175 and \$1,370,140, respectively, and for the nine months ended September 30, 2012 and 2011 was \$4,648,046 and \$6,137,788, 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, 2012 and 2011:

| | For the nine months ended September 30, | |
|---------------------------|--|------------|
| | 2012 | 2011 |
| Interest cost incurred | \$ 338,515 | \$ 350,268 |
| Interest cost capitalized | (177,309) | (290,203) |
| Interest expense, net | \$ 161,206 | \$ 60,065 |

NOTE 7. INVENTORIES

Inventories consisted of the following at September 30, 2012 and December 31, 2011:

| | As of September 30, 2012 | As of December 31, 2011 |
|-----------------|--------------------------------|----------------------------|
| Raw materials | \$ 1,915,983 | \$ 2,411,403 |
| Work in process | 266,951 | 20,812 |
| Finished goods | 184,587 | 36,908 |
| Total | \$ 2,367,521 | \$ 2,469,123 |

NOTE 8. 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. The Construction Loan terms required payments of interest at 6.6% on the outstanding balance. 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 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.

On January 7, 2010, the Company and ITN entered into an equipment purchase agreement whereby the Company purchased seven research and development vacuum and deposition chambers for \$1,100,000 from ITN. Payments in the amount of \$350,000 were remitted to ITN in January 2010 and January 2011. A final payment, without interest, in the amount of \$400,000 was remitted in January 2012.

Table of Contents

As of September 30, 2012, future principal payments on long-term debt are due as follows:

| | |
|------------|-------------|
| 2012 | \$63,553 |
| 2013 | 264,935 |
| 2014 | 282,960 |
| 2015 | 302,210 |
| 2016 | 322,771 |
| Thereafter | 5,442,194 |
| | \$6,678,623 |

NOTE 9. STOCKHOLDERS' EQUITY

At September 30, 2012, the Company's authorized capital stock consisted of 125,000,000 shares of common stock, \$0.0001 par value, and 25,000,000 shares of preferred stock, \$0.0001 par value. Each share of common stock has the right to one vote.

Preferred stock, \$0.0001 par value per share, may be issued in classes or series. Designations, powers, preferences, rights, qualifications, limitations and restrictions are determined by the Company's Board of Directors.

In January 2012, the Company announced that TFG Investment Group Ltd. ("TFG Radiant") had agreed to purchase 8,067,390 shares of the Company's common stock owned by Norsk Hydro Produksjon AS ("Norsk Hydro") for \$4 million, or approximately \$0.50 per share. The TFG Radiant purchase closed on March 30, 2012. As of September 30, 2012, TFG Radiant's ownership was approximately 31% of the Company's outstanding Common Stock.

In January 2012, the Company entered into an At-The-Market Equity Offering Sales Agreement under which the Company may issue and sell up to \$5,000,000 of shares of its common stock from time to time. Sales of common stock, if any, will be made at market prices by any method that is deemed to be an "at the market" offering as defined in Rule 415 under the Securities Act, including sales made directly on the NASDAQ stock exchange and any other trading market for the Company's common stock, and sales to or through a market maker other than on an exchange.

The aggregate compensation payable to the sales agent shall be equal to 3% of the gross sales price of the shares sold. As of September 30, 2012, 1,972,181 shares had been sold under this facility with net proceeds of \$1.9 million.

On September 19, 2012, the Company entered into an underwriting agreement with Aegis Capital Corp., providing for the sale, in a firm commitment offering, of 9,166,700 shares of the Company's common stock, par value \$0.0001 per share, at a price to the public of \$1.20 per share. The Offering closed on September 25, 2012. Net proceeds were \$10.2 million after deducting the underwriting discount and offering expenses payable by the Company of approximately \$825,000. In addition, the Underwriting Agreement provides the Underwriters a 45-day option to purchase up to an additional 1,375,005 shares from the Company at a price of \$1.20 per share. If exercised this option is expected to yield net proceeds of \$1.5 million after deducting the underwriting discount and offering expenses payable by the Company in the amount of \$107,000.

As of September 30, 2012, the Company had 51,008,535 shares of common stock and no shares of preferred stock outstanding. The Company has not declared or paid any dividends through September 30, 2012.

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 | | For the | |
|----------------------------|------|---------------------------------|------|
| September 30, | | nine months ended September 30, | |
| 2012 | 2011 | 2012 | 2011 |

Share-based compensation cost included in:

Edgar Filing: Ascent Solar Technologies, Inc. - Form 10-Q

| | | | | |
|-------------------------------------|-----------|-----------|-----------|-------------|
| Research and development | \$82,623 | \$— | \$252,800 | \$227,042 |
| Selling, general and administrative | 127,039 | 178,224 | 508,551 | 1,052,474 |
| Total share-based compensation cost | \$209,662 | \$178,224 | \$761,351 | \$1,279,516 |

9

Table of Contents

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

| Type of Award: | For the three months ended September 30, | | For the nine months ended September 30, | |
|-------------------------------------|---|------------|--|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| Stock Options | \$ 104,939 | \$ 3,968 | \$ 379,607 | \$ 633,930 |
| Restricted Stock Units and Awards | 104,723 | 174,256 | 381,744 | 645,586 |
| Total share-based compensation cost | \$ 209,662 | \$ 178,224 | \$ 761,351 | \$ 1,279,516 |

Stock Options: The Company recognized share-based compensation expense for stock options of \$380,000 to officers, directors and employees for the nine months ended September 30, 2012 related to stock option awards ultimately expected to vest and reduced for estimated forfeitures. The weighted average estimated fair value of employee stock options granted for the nine months ended September 30, 2012 and 2011 was \$0.56 and \$1.50 per share, respectively. Fair value was calculated using the Black-Scholes Model with the following assumptions:

| | For the nine months ended September 30, | | | |
|--------------------------|--|---|------|---|
| | 2012 | | 2011 | |
| Expected volatility | 103 | % | 98 | % |
| Risk free interest rate | 1 | % | 2 | % |
| Expected dividends | — | | — | |
| Expected life (in years) | 5.2 | | 6.3 | |

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, 2012, total compensation cost related to non-vested stock options not yet recognized was \$510,000 which is expected to be recognized over a weighted average period of approximately 2.6 years. As of September 30, 2012, 1,068,713 shares were vested or expected to vest in the future at a weighted average exercise price of \$2.74. As of September 30, 2012, 1,818,550 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 \$382,000 for the nine months ended September 30, 2012. The weighted average estimated fair value of restricted stock grants for the nine months ended September 30, 2012 and 2011 was \$0.57 and \$3.19, respectively.

Total unrecognized share-based compensation expense from unvested restricted stock as of September 30, 2012 was \$143,000 which is expected to be recognized over a weighted average period of approximately 0.4 years. As of September 30, 2012, 178,404 shares were expected to vest in the future. As of September 30, 2012, 1,176,425 shares remained available for future grants under the Restricted Stock Plan.

NOTE 11. RELATED PARTY TRANSACTIONS

TFG Radiant owns approximately 31% of the Company's outstanding common stock as of September 30, 2012. 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

Table of Contents

Radiant for acting as general contractor in the contract manufacturing process. TFG Radiant also provides consulting services related to product design. Under the supply agreement TFG Radiant intends to distribute the Company's consumer products in Asia. Included in Research and development expense for contract manufacturing and consulting fees with TFG Radiant is \$695,000 for the three and nine months ended September 30, 2012. During the three and nine months ended September 30, 2012 the Company recognized revenue in the amount of \$405,000 for products distributed through TFG Radiant and then sold to unrelated third parties. As of September 30, 2012 the Company held \$632,000 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. 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.

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 in October 2005 to commercialize flexible photovoltaic modules using our proprietary technology. For the nine months ended September 30, 2012, we generated \$1,152,000 of revenue. Our revenue from government research and development contracts was \$605,000 and our revenue from product sales was \$547,000. For the three months ended September 30, 2012, our product revenue was \$474,000, the highest level of quarterly product revenue in our history.

Following the appointment of our new President and CEO on February 2, 2012, we began to reposition our business model with an immediate focus into developing consumer products. With this line of products we plan to capture a larger portion of the value chain with higher profit margins as products are developed and designed in-house and sold directly to end consumers or through distributors globally. In June we launched our new EnerPlex™ brand line of consumer products, and introduced the first product under the EnerPlex brand with a solar-assisted charger for the Apple® iPhone® 4/4S smart phone featuring our ultra-light CIGS thin film technology. The charger incorporates our ultra-light and thin solar 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 significantly improved battery life. In August we announced the launch of our second consumer product, a solar-assisted charger for the Samsung® Galaxy S® III, which provides 95% more battery life for the Galaxy S III while allowing the user to utilize the integrated CIGS solar panel to provide supplemental charging when traditional power sources are unavailable. Our charger maintains the slim and attractive form factor of the Galaxy S III. In October we made our iPhone 4/4S case available on www.amazon.com and we launched the website for our consumer products at www.EnerPlex.biz. The website will bring EnerPlex products directly to consumers.

Table of Contents

Currently we are in limited production based on demand for our products in emerging and specialty markets, particularly our EnerPlex line of consumer products. In the near term we are focusing on emerging and specialty markets with higher average selling prices. Under our current business plan, we expect losses to continue until we have fully implemented our new strategy. Although we plan to continue manufacturing at our current facilities, our plans are also to have significant future production capacity enabled through our relationship with TFG Radiant. We believe that there remains strong interest in renewable energy in general and solar in particular, but existing global political and financial conditions are significantly disrupting key solar markets. Over the past several years, the PV market has continued to experience a significant decline in average selling prices for PV modules. This was a result of many factors, most significantly the increased industry-wide manufacturing capacity, which has contributed to excess industry channel inventories, and a concurrent scaling back of government subsidies and incentives related to solar energy.

We believe that our lightweight, ultra-thin, and flexible technology is transformational in nature, and will provide us advantages in serving specialty markets like consumer, defense, portable power, transportation, off grid and distributed power, as well as, customized building applied photovoltaic (“BAPV”) and building integrated photovoltaic (“BIPV”) markets.

We believe that our use of CIGS on a flexible, durable, lightweight, ultra-thin, high-tech plastic substrate will allow for unique and seamless integration of our PV modules into a variety of electronic products, building materials, defense, transportation and space applications, as well as other products and applications that may emerge. We believe that the unique attributes of our materials and manufacturing process will enable a reduction in the overall system and installation cost-per-watt ratios. For markets that place a high premium on weight, such as rooftop, defense, space and near-space markets, we believe our materials should provide attractive increases in power-to-weight ratios, and we believe that our materials have higher power-to-area ratios and voltage-to-area ratios than competing flexible PV thin-film technologies. These metrics will be critical as we position ourselves to compete in high value-added markets, including; consumer, defense, transportation, space and rooftop applications.

Commercialization and Manufacturing Expansion Plan

We intend to be the first company to commercialize the manufacture of roll-format, PV modules that use CIGS on a flexible, plastic substrate. Our manufacturing expansion plan entails the qualification, testing and operation of our production tools to increase production. During the nine months ended September 30, 2012, we had product sales of approximately \$547,000, of which \$474,000 occurred during the third quarter. We do not consider this level of sales sufficient for exiting development stage.

Substantially all equipment necessary for production has been delivered as of September 30, 2012. Our current production volumes are based primarily on market demand for our products in emerging and specialty markets. In March 2011, based on market conditions, we revised our near-term strategy to focus on applications for emerging and specialty markets, including off-grid, military and defense and consumer oriented products, which we believe will better leverage the unique characteristics of our product and carry higher average selling prices. We plan to continue to develop our customized rooftop applications and we will re-enter this market when the economics are favorable to us.

The manufacture of photovoltaic modules is a capital-intensive business. Our unique technology enables the manufacture of differentiated PV products with high power density which are lightweight and flexible. We believe markets of substantial size, particularly the customized BIPV and BAPV markets will exist long term, requiring significant additional production capacity.

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.

Capital Equipment Expenditures and Manufacturing Costs

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.

As of September 30, 2012, we have remaining obligations for equipment purchases in the approximate amount of \$0.6 million, of which approximately \$0.4 million is recorded in "Accrued property, plant and equipment." The timing and amount of our production capacity and actual output will depend on customer demand as well as a number of technical factors such as module efficiency, production yield and throughput. Future production will depend on our continuing efforts to successfully ramp up the production equipment.

Table of Contents

We are continuing the process of qualifying the production tools that have been delivered. We have additional tools on order that have not been delivered. We intend to continue to optimize our manufacturing processes including throughput, efficiency and yield to improve product performance and reduce manufacturing costs within the context of our new market focus.

Related Party Activity

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. As President and Chief Executive Officer, Mr. Lee will not receive any cash, equity or other compensation from the Company. 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 the our EnerPlex™ line of consumer products. We will compensate TFG Radiant for acting as general contractor in the contract manufacturing process. TFG Radiant also provides consulting services related to product design. Under the supply agreement TFG Radiant intends to distribute our consumer products in Asia. Included in Research and development expense for contract manufacturing and consulting fees with TFG Radiant is \$695,000 for the three and nine months ended September 30, 2012. During the three and nine months ended September 30, 2012 we recognized revenue in the amount of \$405,000 for products distributed through TFG Radiant and then sold to unrelated third parties. As of September 30, 2012 we held \$632,000 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:

• Customer acceptance of and demand for our products;

• Our ability to raise additional capital, if necessary, on terms favorable to us;

• Our ability to qualify production tools to achieve desired production yields, throughput, module efficiencies and other performance targets, and to obtain in a timely manner necessary or desired certifications for our PV modules, in a timely manner;

• Our ability to maintain the listing of our common stock on the NASDAQ Global Market or Capital Market;

• Our ability to achieve projected operational performance and cost metrics;

• Our ability to consummate strategic relationships with key partners, including OEMs, customers, system integrators, value-added resellers and distributors who deal directly with manufacturers and end-users in the BIPV/BAPV, portable power, EIPV and government/defense solar panel markets;

• The availability of, or changes to, governmental policies, subsidies and incentives that effect the use or cost of renewable energy;

• Changes in the supply and demand for PV modules as well as fluctuations in selling prices for PV modules worldwide;

• Our ability to manage the planned expansion of our manufacturing facilities, operations and personnel;

• Our ability to enter into commercially viable licensing, joint venture, or other commercial arrangements;

• Our ability and the ability of our distributors, suppliers and customers to manage operations and orders and timely delivery of production tools; and

• Availability of raw materials.

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

Table of Contents

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, 2011. There have been no changes to these policies that are of potential significance to us during the nine months ended September 30, 2012.

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, 2012 and 2011

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 \$556,000 for the three months ended September 30, 2012 compared to \$989,000 for the three months ended September 30, 2011, a decrease of \$433,000. Revenues for the three months ended September 30, 2012 include \$474,000 of product sales, of which \$405,000 were sales to a related party, compared to \$156,000 for the three months ended September 30, 2011, an increase of \$317,000. Product sales in third quarter 2012 were at the highest quarterly rate in our history. Revenues earned on our government research and development contracts decreased by \$750,000 during the three months ended September 30, 2012, due to the winding down of several government contracts.

Our revenues were \$1,152,000 for the nine months ended September 30, 2012 compared to \$3,199,000 for the nine months ended September 30, 2011, a decrease of \$2,047,000. Revenues for the nine months ended September 30, 2012 include \$547,000 of product sales, of which \$405,000 were sales to a related party, compared to \$457,000 for the nine months ended September 30, 2011, an increase of \$90,000. Revenues earned on our government research and development contracts decreased by \$2,137,000 during the nine months ended September 30, 2012, due to the winding down of several government contracts.

Research and development. Research and development costs were \$5,730,000 for the three months ended September 30, 2012 compared to \$4,145,000 for the three months ended September 30, 2011, an increase of \$1,585,000. Research and development costs include the costs incurred for pre-production and 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 pre-production and production activities increased by \$2,170,000. The pre-production and production cost increase was comprised of materials and equipment related costs of \$931,000, consulting and contract services of \$740,000, depreciation and amortization of \$210,000 and personnel related costs of \$180,000. Governmental research and development expenditures decreased by \$585,000 in the three months ended September 30, 2012. This decrease is the result of reductions in consulting and contract service costs of \$503,000 and personnel related costs of \$70,000.

Research and development costs were \$14,950,000 for the nine months ended September 30, 2012 compared to \$19,440,000 for the nine months ended September 30, 2011, a decrease of \$4,490,000. Costs related to pre-production and production activities decreased by \$3,166,000. The pre-production and production cost decrease was comprised of materials and equipment related costs of \$1,736,000, depreciation and amortization of \$1,245,000 and facility related costs of \$355,000, partially offset by an increase in consulting and contract services costs of \$336,000. Governmental research and development expenditures decreased by \$1,324,000 in the nine months ended September 30, 2012. This decrease is the result of reductions in consulting and contract services costs of \$1,258,000 and personnel related costs of \$60,000.

Selling, general and administrative. Selling, general and administrative expenses were \$1,188,000 for the three months ended September 30, 2012 compared to \$1,524,000 for the three months ended September 30, 2011, a decrease of \$336,000. This decrease is comprised of personnel related costs of \$280,000, consulting and contract services of \$157,000, general supply expenses of \$108,000 and stock compensation expense of \$52,000, partially offset by increases in legal fees of \$248,000 and insurance costs of \$33,000.

Selling, general and administrative expenses were \$3,868,000 for the nine months ended September 30, 2012 compared to \$5,620,000 for the nine months ended September 30, 2011, a decrease of \$1,752,000. This decrease is comprised of personnel related costs of \$1,171,000, stock compensation expense of \$544,000 and depreciation costs of \$266,000, partially offset by increases in facility and IT related expenses of \$133,000 and insurance costs of \$103,000.

Impairment loss. As a result of significant changes in market conditions, particularly the decreases in current and

Table of Contents

expected average selling prices for PV modules, an impairment charge was taken against Property, Plant and Equipment during the second quarter of 2011. Impairment loss incurred on the write-down of Property, Plant and Equipment and Deposits on manufacturing equipment was \$78,000,000 for the nine months ended September 30, 2011.

Other Income / (Expense), net. Other Income / (Expense) was \$37,000 net expense for the three months ended September 30, 2012 compared to \$683,000 net expense for the three months ended September 30, 2011, a decrease of \$646,000. The decrease was the result of decreases in contract cancellation loss of \$567,000 and foreign currency transaction loss of \$70,000.

Other Income / (Expense) was \$149,000 net expense for the nine months ended September 30, 2012 compared to \$326,000 net expense for the nine months ended September 30, 2011, a decrease of \$177,000. The decrease was the result of a decrease in contract cancellation loss of \$567,000, offset by an increase in interest expense of \$101,000, and decreases in foreign currency transaction gain of \$199,000, realized gain on forward contracts of \$64,000 and interest income of \$25,000.

Net Loss. Our Net Loss was \$6,398,000 for the three months ended September 30, 2012 compared to a Net Loss of \$5,363,000 for the three months ended September 30, 2011, an increase of \$1,035,000. Our Net Loss was \$17,815,000 for the nine months ended September 30, 2012 compared to a Net Loss of \$100,187,000 for the nine months ended September 30, 2011, a decrease of \$82,372,000.

The decrease 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, 2012 Compared to the Three Months Ended September 30, 2011 | Decrease (increase) to Net Loss For the Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011 |
|---|--|--|
| Revenues | | |
| Products | \$317,000 | \$90,000 |
| Government Contracts | (750,000) | (2,137,000) |
| Research and development costs | | |
| Manufacturing research and development | (2,086,000) | 3,194,000 |
| Government research and development | 584,000 | 1,323,000 |
| Non-cash stock based compensation | (83,000) | (26,000) |
| Selling, general and administrative expenses | | |
| Corporate selling, general and administrative | 285,000 | 1,207,000 |
| Non-cash stock based compensation | 52,000 | 544,000 |
| Impairment loss | — | 78,000,000 |
| Other Income / (Expense), net | 646,000 | 177,000 |
| Decrease to Net Loss | \$(1,035,000) | \$82,372,000 |

Liquidity and Capital Resources

As of September 30, 2012, we had approximately \$18.6 million in cash and cash equivalents. We have remaining obligations for equipment purchases in the approximate amount of \$0.6 million, of which approximately \$0.4 million is recorded in "Accrued property, plant and equipment."

We have commenced limited 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 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. We will need to raise additional capital in the future. There is no assurance that we will be able to raise additional capital on acceptable terms or at all.

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.

Table of Contents

The use of cash for operational expenses averaged approximately \$1.4 million per month during the nine months ended September 30, 2012 compared to approximately \$1.9 million per month during the nine months ended September 30, 2011, a decrease of approximately \$0.5 million per month. Cash used for operational expenses is related to manufacturing and engineering activities, research and development, business development and general corporate expenses. As of October 31, 2012, we had 85 employees. Additionally we had 57 contractors provided through an employment services provider. We expect our current cash balance to be sufficient to cover our planned capital and operational expenditures through 2013 based on currently known factors projected revenues.

The total net change in cash and cash equivalents for the nine months ended September 30, 2012 was an increase of approximately \$7.3 million. The increase in cash and cash equivalents was the result of the maturity of available-for-sale securities of \$12.6 million, net proceeds received from our latest firm commitment offering of \$10.2 million and aggregate proceeds from shares sold under our At-The-Market facility of \$1.9 million. This increase was partially offset by net loss (adjusted for non-cash expenses and other items such as depreciation and amortization, non-cash based stock based compensation and impairment), purchases of property, plant and equipment and repayment of debt.

For the nine months ended September 30, 2012, our cash used in operations was approximately \$12.8 million compared to approximately \$17.1 million for the nine months ended September 30, 2011, a decrease of \$4.3 million. The decrease in cash used in operating activities for the year ended September 30, 2012 as compared to the same period in 2011 was primarily due to a decrease in net loss (after deducting non-cash adjustments) and a decrease in inventory purchases.

On August 12, 2011, we completed a strategic alliance with TFG Radiant. As part of this strategic alliance, TFG Radiant acquired 6,400,000 shares of our common stock at a price of \$1.15 per share or \$7,360,000 in the aggregate. The closing price of our common stock on August 12, 2011 was \$0.73 per share. In addition, TFG Radiant received an option to acquire an additional 9,500,000 shares of our common stock at an exercise price of \$1.55 per share. The option was approved by our shareholders on October 27, 2011, as well as an increase in the number of authorized shares of common stock to 125,000,000. TFG Radiant may not exercise this option unless and until TFG Radiant meets a specified milestone associated with the construction of the first East Asia FAB. This option expires on February 12, 2014.

On December 29, 2011, we filed a "shelf" Registration Statement on Form S-3 with the SEC, which replaced our previously effective shelf registration. With the shelf registration, we may from time to time sell common stock, preferred stock, warrants or some combination in one or more offerings for up to \$25.0 million. The registration became effective February 14, 2012.

On January 5, 2012, we entered into an At-the-Market Offering Sales Agreement pursuant to which we may issue and sell such number of shares of our common stock having an aggregate offering price of up to \$5,000,000. Sales of common stock, if any, will be made at market prices by any method that is deemed an "at-the-market" offering as defined in Rule 415 under the Securities Act, including sales made directly on the NASDAQ stock exchange and any other trading market for our common stock, and sales to or through a market maker other than on an exchange. There is no assurance we will be able to sell shares of our common stock under this agreement at acceptable prices or at all. The aggregate compensation payable to the sales agent shall be equal to 3% of the gross sales price of the shares sold. As of September 30, 2012, 1,972,181 shares had been sold under this facility with net proceeds of \$1,894,103.

On September 19, 2012, we entered into an underwriting agreement with Aegis Capital Corp., providing for the sale, in a firm commitment offering, of 9,166,700 shares our common stock, par value \$0.0001 per share, at a price to the public of \$1.20 per share. The Offering closed on September 25, 2012. Net proceeds were \$10.2 million after deducting the underwriting discount and offering expenses payable by us of approximately \$825,000. In addition, the Underwriting Agreement provides the Underwriters a 45-day option to purchase up to an additional 1,375,005 shares from us at a price of \$1.20 per share. If exercised this option is expected to yield net proceeds of \$1.5 million after deducting the underwriting discount and offering expenses payable by us in the amount of \$107,000.

Contractual Obligations

The following table presents our contractual obligations as of September 30, 2012. 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.

Table of Contents

| Contractual Obligations | Total | Payments Due by Year (in thousands) | | | |
|-----------------------------|----------|-------------------------------------|-----------|-----------|-------------------|
| | | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Long-term debt obligations | \$10,635 | \$693 | \$2,081 | \$2,081 | \$5,780 |
| Operating lease obligations | 94 | 94 | — | — | — |
| Purchase obligations | 2,853 | 2,853 | — | — | — |
| Total | \$13,582 | \$3,640 | \$2,081 | \$2,081 | \$5,780 |

Off Balance Sheet Transactions

As of September 30, 2012, 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

We have historically purchased manufacturing equipment internationally. As a result, we have entered into forward contracts and held accounts denominated in foreign currency in favor of equipment vendors, which exposes us to foreign currency risk.

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.

Generally, our objective is to fix the dollar amount of our foreign currency denominated manufacturing equipment purchases at time of order. Although the hedging activity described above 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 a 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.

Interest Rate Risk

Our exposure to market risks for changes in interest rates relates primarily to our cash equivalents and investment portfolio. As of September 30, 2012, our cash equivalents consisted only of amounts held in federally insured savings accounts. From time to time we hold investments in 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

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

Edgar Filing: Ascent Solar Technologies, Inc. - Form 10-Q

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, 2012. Based on this evaluation, our Chief Executive

17

Table of Contents

Officer and Chief Financial Officer concluded that as of September 30, 2012, 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, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

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. 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 22, 2012, 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 22, 2012 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 applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures
Not applicable.

Item 5. Other Information
Not applicable.

19

Table of Contents

Item 6. Exhibits

A list of exhibits is found on page 22 of this report.

20

Table of Contents

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 8th day of November, 2012.

ASCENT SOLAR TECHNOLOGIES, INC.

By: /S/ GARY GATCHELL
Gary Gatchell
Chief Financial Officer
(Principal Financial Officer and Authorized
Signatory)

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
EXHIBIT INDEX

| Exhibit No. | Description |
|----------------|--|
| 10.1* | Underwriting Agreement, dated as of September 19, 2012 between Ascent Solar Technologies, Inc. and Aegis Capital Corp. |
| 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 |

* Previously filed as exhibit 1.1 to the Company's Current Report on Form 8-K filed September 20, 2012.

** 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.