

Ascent Solar Technologies, Inc.
Form 10-Q
August 14, 2017
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 June 30, 2017

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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Table of Contents

As of August 11, 2017, there were 8,616,723,553 shares of our common stock issued and outstanding.

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
Quarterly Report on Form 10-Q
Quarterly Period Ended June 30, 2017
Table of Contents

PART I. FINANCIAL INFORMATION

Item 1.	<u>Condensed Consolidated Financial Statements (unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Balance Sheets - As of June 30, 2017 and December 31, 2016</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Operations - For the Three and Six Months Ended June 30, 2017 and June 30, 2016</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flow - For the Six Months Ended June 30, 2017 and June 30, 2016</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
Item 4.	<u>Controls and Procedures</u>	<u>40</u>

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	<u>42</u>
Item 1A.	<u>Risk Factors</u>	<u>42</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>42</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>42</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>42</u>
Item 5.	<u>Other Information</u>	<u>42</u>
Item 6.	<u>Exhibits</u>	<u>42</u>
	<u>SIGNATURES</u>	<u>43</u>
	<u>EXHIBIT INDEX</u>	<u>44</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 232,895	\$ 130,946
Trade receivables, net of allowance for doubtful accounts of \$57,336 and \$60,347, respectively	158,688	549,204
Inventories	1,195,862	2,569,816
Prepaid expenses and other current assets	514,220	983,796
Total current assets	2,101,665	4,233,762
Property, Plant and Equipment	36,639,460	36,639,460
Less accumulated depreciation and amortization	(31,606,565)	(30,983,448)
	5,032,895	5,656,012
Other Assets:		
Patents, net of accumulated amortization of \$343,757 and \$169,626, respectively	1,519,799	1,647,505
Other non-current assets	63,688	77,562
	1,583,487	1,725,067
Total Assets	\$ 8,718,047	\$ 11,614,841
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 1,960,913	\$ 4,902,471
Related party payables	200,000	214,903
Accrued expenses	2,020,427	1,469,684
Current portion of long-term debt	358,993	243,113
Notes Payable	1,422,026	—
Promissory Notes, net of discount of \$1,500 and zero, respectively	4,326,500	1,430,000
Current portion of litigation settlement	49,620	339,481
Series E preferred stock, net of discount of \$37,123 and \$63,640, respectively	32,877	56,360
Series F preferred stock	160,001	160,001
Series G preferred stock, net of discount of zero and \$699,674, respectively	—	408,326
July 2016 convertible notes, net of discount of zero and \$1,634,357, respectively	496,600	1,159,610
Series I exchange notes, net of discount of \$62,205 and \$199,474, respectively	56,331	26,597
Series J preferred stock, net of discount of \$176,256 and zero, respectively	898,744	1,350,000
Series K preferred stock	1,050,000	—
October 2016 convertible notes, net of discount of \$132,000 and \$264,000 respectively	198,000	66,000
Tertius Financial Group promissory notes, net of discount of zero and \$59,658, respectively	—	542,808
Short term embedded derivative liabilities	1,876,440	6,578,154
Make-whole dividend liability	243,024	500,176
Total current liabilities	15,350,496	19,447,684
Long-Term Debt	5,292,946	5,281,776

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

Accrued Warranty Liability	126,372	176,457
Commitments and Contingencies (Notes 4 & 23)		
Mezzanine Equity:		
Series J-1 preferred stock: 700 shares authorized; 700 and issued and outstanding as of June 30, 2017 and December 31, 2016	700,000	700,000
Stockholders' Deficit:		
Series A preferred stock, \$.0001 par value; 750,000 shares authorized and issued; 60,756 shares and 125,044 shares outstanding as of June 30, 2017 and December 31, 2016, respectively (\$729,072 and \$1,500,528 Liquidation Preference)	6	13
Common stock, \$0.0001 par value, 20,000,000,000 shares authorized; 6,976,187,874 and 554,223,320 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	697,619	55,422
Additional paid in capital	380,777,042	369,886,065
Accumulated deficit	(394,226,434)	(383,932,576)
Total stockholders' deficit	(12,751,767)	(13,991,076)
Total Liabilities, Mezzanine Equity and Stockholders' Deficit	\$8,718,047	\$11,614,841

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

Table of Contents

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenues	\$25,134	\$255,323	\$305,737	\$965,546
Costs and Expenses:				
Cost of revenues (exclusive of depreciation shown below)	295,026	1,272,510	1,787,867	3,436,906
Research, development and manufacturing operations (exclusive of depreciation shown below)	1,241,108	1,785,349	2,517,974	3,471,766
Inventory impairment costs	—	—	363,758	—
Selling, general and administrative (exclusive of depreciation shown below)	1,405,863	2,956,848	3,170,094	5,943,695
Depreciation and amortization	330,324	1,381,357	701,976	2,757,559
Total Costs and Expenses	3,272,321	7,396,064	8,541,669	15,609,926
Loss from Operations	(3,247,187)	(7,140,741)	(8,235,932)	(14,644,380)
Other Income/(Expense)				
Other Income/(Expense), net	(149,340)	32,333	579,145	32,333
Interest expense	(2,247,707)	(1,404,853)	(4,239,059)	(3,652,991)
Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net	928,909	(2,655,190)	1,601,987	(3,428,426)
Total Other Expense	(1,468,138)	(4,027,710)	(2,057,927)	(7,049,084)
Net Loss	\$(4,715,325)	\$(11,168,451)	\$(10,293,859)	\$(21,693,464)
Net Loss Per Share (Basic and diluted)	\$(0.0010)	\$(0.6825)	\$(0.0033)	\$(1.66)
Weighted Average Common Shares Outstanding (Basic and diluted)	4,668,929,066	16,364,931	3,161,064,888	13,042,347

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

Table of Contents

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

	Six Months Ended	
	June 30,	
	2017	2016
Operating Activities:		
Net loss	\$(10,293,859)	\$(21,693,465)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	701,976	2,757,559
Share based compensation	95,911	557,980
Realized gain on sale of assets	(1,214,659))
Amortization of financing costs to interest expense	70,557	104,679
Write down of previously capitalized inventory	363,758	—
Non-cash interest expense	727,734	206,845
Amortization of debt discount	3,190,184	3,006,096
Change in fair value of derivatives and gain/loss on extinguishment of liabilities, net	(1,601,987)) 3,428,426
Inducement conversion costs	635,514	—
Bad debt expense	9,649	182,716
Changes in operating assets and liabilities:		
Accounts receivable	396,467	978,972
Inventories	1,010,196	195,859
Prepaid expenses and other current assets	355,759	475,827
Accounts payable	(340,200)) (344,269)
Related party payable	(14,903))
Accrued expenses	(26,868)) (124,771)
Accrued litigation settlement	(289,861)) (264,411)
Warranty reserve	(50,085)) (28,611)
Net cash used in operating activities	(6,274,717)) (10,560,568)
Investing Activities:		
Purchase of property, plant and equipment	—	(20,688)
Proceeds from the sale of assets	150,000	—
Patent activity costs	(25,341)) (96,344)
Deposit on building	—	—
Net cash provided by/(used in) investing activities	124,659	(117,032)
Financing Activities:		
Payment of debt financing costs	—	(40,000)
Repayment of debt	(862,993)) (157,862)
Proceeds from promissory note	2,865,000	—
Proceeds from Committed Equity Line	—	1,056,147
Proceeds from issuance of stock and warrants	4,250,000	9,625,000
Net cash provided by financing activities	6,252,007	10,483,285
Net change in cash and cash equivalents	101,949	(194,315)
Cash and cash equivalents at beginning of period	130,946	326,217
Cash and cash equivalents at end of period	\$232,895	\$131,902
Supplemental Cash Flow Information:		
Cash paid for interest	\$206,080	\$192,532

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

Non-Cash Transactions:

Non-cash conversions of preferred stock and convertible notes to equity	\$6,934,064	\$7,745,950
Make-whole provision on convertible preferred stock	\$257,152	\$—
Non-cash financing costs	\$2,500	\$—
Accounts payable converted to notes payable	\$1,422,026	\$—
Accounts payable forgiven related to sale of EnerPlex	\$1,031,726	\$—

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

Table of Contents

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

NOTE 1. ORGANIZATION

Ascent Solar Technologies, Inc. (“Ascent”) was incorporated on October 18, 2005 from the separation of ITN Energy Systems, Inc.'s (“ITN”) 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 5,140 shares of common stock of Ascent, ITN assigned to Ascent certain CIGS PV technologies and trade secrets and granted to Ascent a perpetual, exclusive, royalty-free worldwide license to use, in connection with the manufacture, development, marketing and commercialization of CIGS PV to produce solar power, certain of ITN’s existing and future proprietary and control technologies that, although non-specific to CIGS PV, Ascent believes will be useful in its production of PV modules for its target markets. Upon receipt of the necessary government approvals and pursuant to novation in early 2007, ITN assigned government-funded research and development contracts to Ascent and also transferred the key personnel working on the contracts to Ascent.

Currently, the Company is focusing on integrating its PV products into high value markets such as aerospace, satellites, near earth orbiting vehicles, and fixed-wing unmanned aerial vehicles (UAV). Ascent has the capability to design and develop finished products for end users in these areas as well as collaborate with strategic partners to design and develop custom integrated solutions for products like fixed-wing UAVs. Ascent sees significant overlap of the needs of end users across some of these industries and can achieve economies of scale in sourcing, development, and production in commercializing products for these customers.

Sale of EnerPlex Brand

In February 2017, Ascent announced the sale of our EnerPlex brand and related intellectual properties and trademarks associated with EnerPlex to our battery product supplier, Sun Pleasure Co. Limited (“SPCL”) in an effort to better allocate its resources and to continue to focus on its core strength in the high-value specialty PV market. Following the transfer, Ascent will no longer produce or sell Enerplex-branded consumer products. Ascent will also supply solar PV products to SPCL, supporting the continuous growth of EnerPlex™ with Ascent’s proprietary and award-winning thin-film solar technologies and products.

Ascent continues to design and manufacture its own line of PV integrated consumer electronics, as well as portable power applications for commercial, military, and emergency management.

Increase of Authorized Common Stock

On March 16, 2017, the Company filed a Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (the “Certificate of Amendment”) with the Secretary of State of the State of Delaware to increase the number of authorized shares of Common Stock from 2,000,000,000 to 20,000,000,000 at a par value of \$0.0001. The Certificate of Amendment was approved at the Company’s Special Meeting of Stockholders March 16, 2017.

NOTE 2. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been derived from the accounting records of Ascent Solar Technologies, Inc., Ascent Solar (Asia) Pte. Ltd., and Ascent Solar (Shenzhen) Co., Ltd. (collectively, "the Company") as of June 30, 2017 and December 31, 2016, and the results of operations for the three and six months ended June 30, 2017 and 2016. Ascent Solar (Shenzhen) Co., Ltd. is wholly owned by Ascent Solar (Asia) Pte. Ltd., which is wholly owned by Ascent Solar Technologies, Inc. All significant inter-company balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

The accompanying, unaudited, condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, these interim financial statements do not include all of the information and footnotes typically found in U.S. GAAP audited annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. The Condensed Consolidated Balance Sheet at December 31, 2016 has been derived from the audited financial

Table of Contents

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, 2016. These condensed consolidated financial statements and notes should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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 six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

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, 2016. There have been no significant changes to our accounting policies as of June 30, 2017.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The update will establish a comprehensive revenue recognition standard for virtually all industries in GAAP. ASU 2014-09 will change the amount and timing of revenue and cost recognition, implementation, disclosures and documentation. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. ASU 2014-09 is now effective for the Company in fiscal year 2018. The Company is researching whether the adoption of ASU 2014-09 will have a material effect on the Company's consolidated financial statements.

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

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718). ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for interim periods and fiscal years beginning after December 15, 2017, and early application is permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In July 2017, the FASB issued ASU No. 2017-11 Part I, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). ASU 2017-11 Part I changes the classification analysis of certain equity-linked financial instruments with down round features. ASU 2017-11 Part I is effective, for public business entities, for interim periods and fiscal years beginning after December 15, 2018, and early application is permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

The Series J Preferred Stock was reclassified from mezzanine equity in the 2016 financial information to conform to the 2017 presentation in liabilities. Such reclassifications had no effect on the net loss.

NOTE 4. LIQUIDITY AND CONTINUED OPERATIONS

During the six months ended June 30, 2017 and the year ended December 31, 2016, the Company entered into multiple financing agreements to fund operations. Further discussion of these transactions can be found in Notes 8 through 19 of the financial statements presented as of, and for the six months ended, June 30, 2017, and in Notes 9 through 20 of the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The Company has continued PV production at its manufacturing facility. The Company does not expect that sales revenue and cash flows will be sufficient to support operations and cash requirements until it has fully implemented its product strategy. During the six months ended June 30, 2017 the Company used \$6.3 million in cash for operations. The Company's primary significant long term cash obligation consists of a note payable of \$5.7 million to a financial institution secured by a mortgage on its headquarters and manufacturing building in Thornton, Colorado. Total payments of \$0.4 million, including principal and

Table of Contents

interest, will come due in the remainder of 2017. The Company also owes \$50,000 as of June 30, 2017 related to a litigation settlement reached in April 2014, which is being paid in equal installments over 40 months beginning in April 2014.

Additional projected product revenues are not anticipated to result in a positive cash flow position for the year 2017 overall and, as of June 30, 2017, the Company has negative working capital. As such, cash liquidity sufficient for the year ending December 31, 2017 will require additional financing.

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

As a result of the Company's recurring losses from operations, and the need for additional financing to fund its operating and capital requirements, there is uncertainty regarding the Company's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to the Company's ability to continue as a going concern.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment as of June 30, 2017 and December 31, 2016:

	As of June 30, 2017	As of December 31, 2016
Building	\$5,828,960	\$ 5,828,960
Furniture, fixtures, computer hardware and computer software	489,421	489,421
Manufacturing machinery and equipment	30,300,391	30,300,391
Net depreciable property, plant and equipment	36,618,772	36,618,772
Manufacturing machinery and equipment in progress	20,688	20,688
Property, plant and equipment	36,639,460	36,639,460
Less: Accumulated depreciation and amortization	(31,606,565)	(30,983,448)
Net property, plant and equipment	\$5,032,895	\$ 5,656,012

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.

Depreciation expense for the three and six months ended June 30, 2017 was \$288,493 and \$623,117, respectively, compared to depreciation expense of \$1,362,718 and \$2,722,210 for the three and six months ended June 30, 2016, respectively. Depreciation expense is recorded under "Depreciation and amortization expense" in the Condensed Consolidated Statements of Operations.

NOTE 6. INVENTORIES

Inventories consisted of the following at June 30, 2017 and December 31, 2016:

	As of June 30, 2017	As of December 31, 2016
Raw materials	\$770,448	\$832,806
Work in process	45,413	635,130

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

Finished goods	380,001	1,101,880
Total	\$1,195,862	\$2,569,816

The Company analyzes its inventory for impairment, both categorically and as a group, whenever events or changes in circumstances indicate that the carrying amount of the inventory may not be recoverable. During the six months ended June 30, 2017, the Company impaired \$363,758 of inventory.

Inventory amounts are shown net of allowance of \$623,014 and \$736,663 for the three months ended June 30, 2017 and the year ended December 31, 2016, respectively.

Table of Contents

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. 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 principal balance of the Permanent Loan was \$5,651,939 and \$5,704,932 as of June 30, 2017 and December 31, 2016, respectively.

On November 1, 2016, the Company and the CFHA agreed to modify the original agreement described above with the addition of a forbearance period. Per the modification agreement, no payments of principal and interest shall be due under the note during the forbearance period commencing on November 1, 2016 and continuing through April 1, 2017. The amount of interest that should have been paid by the Company during the forbearance period in the total amount of \$180,043 shall be added to the outstanding principal balance of the note. As a result, on May 1, 2017, the principal balance of the note was \$5,704,932. Commencing on May 1, 2017, the monthly payments of principal and interest due under the note resumed at \$57,801, and the Company shall continue to make such monthly payments over the remaining term of the note ending on February 1, 2028.

As of June 30, 2017, remaining future principal payments on long-term debt are due as follows:

2017	\$ 190,121
2018	343,395
2019	366,757
2020	391,709
2021	418,358
Thereafter	3,941,599
	\$5,651,939

NOTE 8. NOTES PAYABLE

On February 24, 2017, the Company entered into an agreement with a vendor to convert the balance of their account into three notes payable in the aggregate amount of \$765,784. The notes bear interest of 6% per annum and mature on February 24, 2018; all outstanding principal and accrued interest is due and payable upon maturity. As of June 30, 2017, the Company had not made any payments on these notes and the accrued interest was \$16,081.

On February 27, 2017, the Company entered into an agreement with a vendor to convert the balance of their account into a note payable in the amount of \$49,500. The note bears interest of 6% per annum and matures on September 27, 2017; all outstanding principal and accrued interest is due and payable upon maturity. As of June 30, 2017, the Company had not made any payments on the note and the accrued interest was \$1,001.

On March 23, 2017, the Company entered into an agreement with a vendor to convert the balance of their account into a note payable in the amount of \$356,742. The note bears interest of 5% per annum and matures on October 23, 2017;

all outstanding principal and accrued interest is due and payable upon maturity. As of June 30, 2017, the Company had not made any payments on the note and the accrued interest was \$4,838.

On June 30, 2017, the Company entered into an agreement with a vendor to convert the balance of their account into a note payable in the amount of \$250,000. The note bears interest of 5% per annum and matures on February 28, 2018; all outstanding principal and accrued interest is due and payable upon maturity.

Table of Contents

NOTE 9. PROMISSORY NOTES

Tertius Financial Group Notes and Exchange

On August 29, 2016, the Company entered into a note purchase agreement with Tertius Financial Group Pte. Ltd. ("TFG") for the private placement of \$330,000 of the Company's original issue discount notes with an original maturity date of November 26, 2016. The notes bear interest of 6% per annum and principal and interest on the notes are payable upon maturity. The notes are unsecured and not convertible into equity shares of the Company.

On December 6, 2016, the Company issued a new \$600,000 original issue discount note to TFG in exchange for (i) \$200,000 of additional gross proceeds and (ii) cancellation of the existing outstanding \$330,000 note. The new TFG note bears interest at a rate of 6% per annum and matures on December 31, 2017. Principal and interest on the new TFG note is payable at maturity. Following the transaction, the outstanding balance of the new note was \$602,000 (including accrued and unpaid interest) with a discount of \$60,000 as of December 31, 2016.

On January 19, 2017, the Company issued 333,333,333 shares of unregistered common stock in a private placement to TFG pursuant to a Securities Purchase Agreement (the "SPA").

Pursuant to the SPA, the Company issued the 333,333,333 shares to TFG in exchange for cancellation of its \$600,000 promissory note (including accrued interest of approximately \$4,340) that was issued by the Company on December 6, 2016. The SPA does not provide any registration rights for the shares issued to TFG.

TFG is a Singapore based entity controlled and 50% owned by Ascent's President & CEO, Victor Lee, and owns less than 5% of the Company's outstanding shares at June 30, 2017.

Offering of Unsecured Non-Convertible Notes

Between December 2016 and April 2017, the Company initiated eleven non-convertible, unsecured promissory notes with a private investor with varying principal amounts. The promissory notes bear interest of 12% per annum and mature six months from the respective dates of issuance ranging from June 2, 2017 to October 21, 2017. Unless paid in advance, the principal and interest of these promissory notes are payable upon maturity. The notes are not convertible into equity shares of the Company and are unsecured.

During June 2017, three of the promissory notes described above matured. The Company and the private investor agreed to pay the interest accrued on these notes, as of the maturity dates, and extend the notes another three months without the Company being in default. During June 2017, \$60,434 interest was paid.

As of June 30, 2017 and December 31, 2016 the outstanding principal balance on these promissory notes was \$3,400,000 and \$1,010,000, respectively. The accrued interest outstanding on these notes was \$105,349 as of June 30, 2017.

During October 2016, the Company received \$420,000 from a separate private investor. These funds were rolled into a promissory note, executed on January 17, 2017, in the amount of \$700,000 issued with a discount of \$30,000 which will be charged to interest expense ratably over the term of the note. The note bears interest at 12% per annum and matures on July 17, 2017. Principal and interest on this note are payable at maturity. This note is not convertible into equity shares of the Company and is unsecured.

On June 30, 2017, the Company and the private investor agreed to a 12 month payment plan on the balance of this promissory note. Interest will continue to accrue on this note at 12% per annum and payments of approximately

\$62,000 will be made monthly beginning in July 2017.

As of June 30, 2017 the outstanding principal and accrued interest balances on the note were \$700,000 and \$52,022, respectively.

During April 2017, the Company initiated a non-convertible, unsecured promissory note with a private investor for \$103,000 in exchange for proceeds of \$100,000. The discount of \$3,000 will be charged to interest expense ratably over the term of the note, The promissory note bears interest of 10% per annum and matures on October 6, 2017. As of June 30, 2017, the principal and accrued interest outstanding on the promissory note was \$103,000 and \$2,432, respectively.

Table of Contents

During May 2017, the Company initiated a non-convertible, unsecured promissory note with a private investor for \$125,000. The promissory note bears interest of 12% per annum and matures on August 8, 2017. As of June 30, 2017, the principal and accrued interest outstanding on the promissory note was \$125,000 and \$2,208, respectively.

NOTE 10. 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 13,125 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 2,187 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 10,938 shares of common stock for \$5,000,000.

Holders of Series A Preferred Stock are entitled to cumulative dividends at a rate of 8% 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 \$232, 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 June 30, 2017, 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 1 common share (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). See Note 19. Make-Whole Dividend Liability.

On October 6, 2016, the Series A Holder entered into an exchange agreement (the "Exchange Agreement") with Adar Bays. Pursuant to the exchange agreement, beginning December 5, 2016, Adar Bays has the option to exchange, from time to time, all or any portion of the October 2016 Convertible Notes (see Note 17) for outstanding shares of Series A Preferred Stock from the Series A Holder.

As of June 30, 2017, Adar Bays had elected to exchange all outstanding October 2016 Convertible Notes, in accordance with the exchange agreement, resulting in the exchange of 104,785 shares of Series A Preferred Stock. As of June 30, 2017, Adar Bays had also converted their 104,785 shares of Series A Preferred Stock, and the related make whole dividend, which resulted in the issuance of 173,946,250 shares of common stock.

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.

As of June 30, 2017, there were 60,756 shares of Series A Preferred Stock outstanding.

NOTE 11. SERIES E PREFERRED STOCK AND THE COMMITTED EQUITY LINE

Series E Preferred Stock

On November 4, 2015, the Company entered into a securities purchase agreement with a private investor to issue 2,800 shares of Series E Preferred Stock in exchange for \$2,800,000.

Table of Contents

Shares of the Series E Preferred Stock (including the amount of any accrued and unpaid dividends thereon) are convertible, at the option of the holder, into common stock at a variable conversion price equal to 80% of the average of the two lowest VWAPs of the Company's common stock for the ten consecutive trading day period prior to the conversion date. If certain defined default events occur, the conversion price would thereafter be reduced (and only reduced), to equal 70% of the average of the two lowest VWAPs of the Company's common stock for the twenty consecutive trading day period prior to the conversion date. The private investor had available to them a new conversion price beginning on June 9, 2016 as a result of the Series H Preferred Stock transaction further described in Note 14. Shares of the Series E Preferred Stock are now convertible, at the option of the private investor, into common stock at a variable conversion price equal to 70% of (i) the lowest VWAP of our common stock for the ten consecutive trading day period prior to the conversion date or (ii) the lowest closing bid price of our common stock for the ten consecutive trading day period prior to the conversion date. The following table summarizes the conversion activity of the Series E Preferred Stock:

Conversion Period	Preferred Series E Shares Converted	Value of Series E Preferred Shares (inclusive of accrued dividends)	Common Shares Issued
Q4 2015	478	\$481,500	250,000
Q1 2016	1,220	1,239,436	1,132,000
Q2 2016	365	381,414	7,979,568
Q3 2016	523	548,896	21,973,747
Q4 2016	94	101,018	13,089,675
Q1 2017	15	16,248	8,289,962
Q2 2017	35	38,886	134,927,207
	2,730	\$2,807,398	187,642,159

Holders of the Series E Preferred Stock will be entitled to dividends in the amount of 7% per annum. During the six months ended June 30, 2017, the holder converted dividends in the amount of \$5,134 on the Series E Preferred Stock, resulting in the issuance of 14,135,538 shares of common stock.

The Company has issued 18,000 shares of common stock to the private investor as a commitment fee relating to the Series E Preferred Stock. Costs associated with the Series E Preferred Stock, such as legal fees and commitment shares are capitalized and reported as deferred financing costs on the Condensed Consolidated Balance Sheets. The total gross debt issuance cost incurred by the Company related to the Series E Preferred Stock was \$104,000. These debt issuance costs will be recognized as additional interest expense over the life of the Series E Preferred Stock.

At any time after March 31, 2016, the private investor has the option to redeem for cash all or any portion of the outstanding shares of the Series E Preferred Stock at a price per share equal to \$1,250 plus any accrued but unpaid dividends thereon.

At any time after the third anniversary of the date of the initial issuance of Series E Preferred Stock, the Company will have the option to redeem for cash all outstanding shares of the Series E Preferred Stock at a price per share equal to \$1,250 plus any accrued but unpaid dividends thereon.

The Company classified the Series E Preferred Stock as a liability pursuant to ASC 480 on the closing date due to the structure of the financing agreement, whereby the Company has an unconditional obligation that the Company may settle by issuing a variable number of common shares with a monetary value that is fixed and known at inception. There are 70 shares of Series E Preferred Stock outstanding, representing a value of \$70,000, as of June 30, 2017.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion option in the Series E Preferred Stock was deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. At December 31, 2016, the derivative liability associated with the Series E Preferred Stock was \$141,000.

Table of Contents

The derivative liability associated with the Series E Preferred Stock is subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. At March 31, 2017 and June 30, 2017, the Company conducted a fair value assessment of the embedded derivative associated with the Series E Preferred Stock. As a result of the fair value assessment, the Company recorded a \$40,016 loss as "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Condensed Consolidated Statements of Operations, for the three months ended June 30, 2017. The net gain recorded for the six months ended June 30, 2017 was \$19,358, to properly reflect the fair value of the embedded derivative of \$121,390 as of June 30, 2017.

The fair value measurements rely primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The derivative associated with the Series E Preferred Stock approximates management's estimate of the fair value of the embedded derivative liability at June 30, 2017 based on using a Monte Carlo simulation following a Geometric Brownian Motion with the following assumptions: annual volatility of 70%, present value discount rate of 12% and dividend yield of 0%.

The Committed Equity Line

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

From time to time, the Company may direct the private investor, at its sole discretion and subject to certain conditions, to purchase an amount of shares of common stock up to the lesser of (i) \$1,000,000 or (ii) 300% of the average daily trading volume of the Company's common stock over the preceding ten trading day period. The per share purchase price for shares of common stock to be sold by the Company under the CEL purchase agreement shall be equal to 80% of the average of the two lowest VWAPs of the common stock for the ten consecutive trading day period prior to the purchase date. As of June 30, 2017, the Company had directed the private investor to purchase 3,056,147 of common stock which resulted in the issuance of 1,368,000 shares of common stock

The Company may not direct the private investor to purchase shares of common stock more frequently than once each ten business days. The Company's sales of shares of common stock to the private investor under the CEL purchase agreement are limited to no more than the number of shares that would result in the beneficial ownership by the private investor and its affiliates, at any single point in time, of more than 9.99% of the Company's then outstanding shares of common stock.

As consideration for entering into the CEL purchase agreement, the Company agreed to issue to the private investor 132,000 shares of common stock (the "Commitment Shares"). The Commitment Shares were issued to the private investor commencing upon the date that the registration statement was declared effective by the SEC.

NOTE 12. SERIES F PREFERRED STOCK

On January 19, 2016, the Company entered into a securities purchase agreement with a private investor for the sale of \$7,000,000 of the Company's newly designated Series F 7% Convertible Preferred Stock (the "Series F Preferred Stock").

On January 20, 2016, the Company sold and issued 7,000 shares of Series F Preferred Stock to the private investor. The aggregate purchase price of the Series F Preferred shares was \$7,000,000. On January 20, 2016, the private investor paid \$500,000 to the Company. The remaining \$6,500,000 was paid by the private investor to the Company in 14 weekly increments of \$500,000 or \$250,000 beginning January 25, 2016 and ending April 28, 2016.

Shares of the Series F Preferred Stock (including the amount of any accrued and unpaid dividends thereon) are convertible, at the option of the holder, into common stock at a fixed conversion price equal to \$5.00 per share. If certain defined default events occur, the conversion price would thereafter be reduced (and only reduced), to equal 70% of the average of the two lowest VWAPs of our common stock for the twenty consecutive trading day period prior to the conversion date.

If requested by the private investor, the Company will make weekly redemptions of shares of Series F Preferred Stock (including any accrued and unpaid dividends thereon). If the redemption price is paid by the Company in cash, the number of shares to be redeemed in each weekly increment is 250 shares of Series F Preferred Stock, and the redemption price is a price per share equal to \$1,250 plus any accrued but unpaid dividends thereon.

Table of Contents

The Company has the option to make such redemption payments in shares of common stock provided certain specified equity conditions are satisfied at the time of payment. The number of shares of common stock to be issued would be calculated using a per share price equal to 80% of the one lowest VWAP of our common stock for the ten consecutive trading day period prior to the payment date. For redemption payments made in shares of common stock, the Company will redeem either (i) 250 shares of Series F Preferred Stock or (ii) such greater number of shares of Series F Preferred Stock (and also including any accrued and unpaid dividends) that would result upon redemption in the issuance of a number of shares of common stock equal to 12% of the aggregate composite trading volume for the Company's common stock during the preceding calendar week.

The private investor had available to them a new conversion price beginning on June 9, 2016 as a result of the Series H Preferred Stock transaction further described in Note 14. Shares of the Series F Preferred Stock are now convertible, at the option of the private investor, into common stock at a variable conversion price equal to 70% of (i) the lowest VWAP of our common stock for the ten consecutive trading day period prior to the conversion date or (ii) the lowest closing bid price of our common stock for the ten consecutive trading day period prior to the conversion date.

Amendment of Outstanding Series F Preferred Stock Conversion Price

On October 5, 2016, the Company filed a Certificate of Amendment to the Certificate of Designations of Preferences, Rights and Limitations of Series F Preferred Stock with the Secretary of State of the State of Delaware. The Certificate of Amendment amends the conversion price at which the Series F Preferred Stock can be converted into shares of common stock. The Company had approximately \$336,000 of Series F Preferred Stock remaining outstanding as of October 5, 2016.

As amended, the conversion price will now be equal to the lowest of (i) 50% of the lowest weighted average price ("VWAP") of our common stock for the ten consecutive trading day period prior to the conversion date or (ii) 50% of the lowest closing bid price of our common stock for the ten consecutive trading day period prior to the conversion date. If certain "Triggering Events" specified in the terms of the Series F Preferred Stock occur, then the conversion price of the Series F Preferred Stock shall be thereafter reduced, and only reduced, to equal 50% of the average of the lowest traded price of the common stock for the twenty consecutive trading day period prior to the conversion date. The following table summarizes the conversion activity of the Series F Preferred Stock:

Conversion Period	Preferred Series F Shares Converted	Value of Series F Preferred Shares (inclusive of accrued dividends)	Common Shares Issued
Q1 2016	2,168	\$2,188,298	2,183,992
Q2 2016	3,234	3,300,931	6,649,741
Q3 2016	1,262	1,315,743	81,917,364
Q4 2016	176	185,118	27,276,005
	6,840	\$6,990,090	118,027,102

Holders of the Series F Preferred Stock are entitled to dividends in the amount of 7% per annum. During the quarter ended June 30, 2017, the Company did not pay any dividends or issue any shares in relation to accrued dividends.

The Company classified the Series F Preferred Stock as a liability pursuant to ASC 480 on the closing date due to the structure of the financing agreement, whereby the Company has an unconditional obligation that the Company may settle by issuing a variable number of common shares with a monetary value that is fixed and known at inception. There are 160 shares of Series F Preferred Stock, representing a value of \$160,000, outstanding as of June 30, 2017.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion option in the Series F Preferred Stock was deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. At closing, a derivative liability and a corresponding debt discount in the amount of \$1,666,000 were recorded. The debt discount will be charged to interest expense ratably over the life of the Series F Preferred Stock.

Table of Contents

The derivative liability associated with the Series F Preferred Stock is subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. At June 30, 2017, the Company conducted a fair value assessment of the embedded derivative associated with the Series F Preferred Stock. As a result of the fair value assessment, the Company recorded a \$209,613 loss as "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Condensed Consolidated Statements of Operations, for the three months ended June 30, 2017. The net loss recorded for the six months ended June 30, 2017 was \$85,557, to properly reflect the fair value of the embedded derivative of \$340,881 as of June 30, 2017.

The fair value measurements rely primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The derivative associated with the Series F Preferred Stock approximates management's estimate of the fair value of the embedded derivative liability at June 30, 2017 based on using a Monte Carlo simulation following a Geometric Brownian Motion with the following assumptions: annual volatility of 66%, present value discount rate of 12% and dividend yield of 0%.

NOTE 13. SERIES G PREFERRED STOCK

On April 29, 2016, the Company entered into a securities purchase agreement with private investors to issue 2,000 shares of Series G Preferred Stock for \$2,000,000. At Closing, the Company issued a total of 500 shares of Series G Preferred Stock to the private investors in exchange for \$500,000. The Company issued an additional 1,500 shares of Series G Preferred Stock to the private investors during the months of May and June 2016, which resulted in additional gross proceeds to the Company of \$1,500,000.

Holders of the Series G Preferred Stock will be entitled to dividends in the amount of 10% per annum. One year after issuance, the Company is required to redeem for cash all or any portion of the outstanding shares of the Series G Preferred Stock at a price per share equal to \$1,000 plus any accrued but unpaid dividends thereon.

Assignment of Series G Preferred Stock

Beginning September 19, 2016, the two private investors (the "Series G Sellers") entered into assignment agreements with accredited investors (the "Series G Purchasers"). Under the terms of the assignment agreements, the Series G Sellers may sell all 2,000 outstanding shares of Series G Preferred Stock to the Series G Purchasers for a purchase price of \$1,000 per share of Series G Preferred Stock (plus the amount of any accrued and unpaid dividends thereon). As of June 30, 2017, the Series G Sellers had sold 1,835 shares of Series G Preferred Stock, representing a value of \$1,835,000, to the Series G Purchasers.

On September 21, 2016, the Company filed a Certificate of Amendment to the Certificate of Designations of Preferences, Rights and Limitations of Series G Preferred Stock with the Secretary of State of the State of Delaware. The Certificate of Amendment amends the conversion price at which the Series G Preferred Stock can be converted into shares of common stock. Shares of the Series G Preferred Stock (including the amount of any accrued and unpaid dividends thereon) were previously convertible at the option of the private investors into common stock at a fixed conversion price of \$1.00 per share. As amended, the conversion price is equal to the lowest of (i) \$0.045, (ii) 70% of the lowest volume weighted average price of the Company's common stock for the ten consecutive trading day period prior to the conversion date or (iii) 70% of the lowest closing bid price of the Company's common stock for the ten consecutive trading day period prior to the conversion date. The following table summarizes the conversion activity of the Series G Preferred Stock:

Conversion Period	Preferred Series G	Value of Series G	Common Shares Issued
-------------------	--------------------	-------------------	----------------------

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

	Shares	Preferred	
	Converted	Shares	
		(inclusive	
		of accrued	
		dividends)	
Q4 2016	892	929,895	245,726,283
Q1 2017	372	397,970	327,718,386
Q2 2017	526	575,096	1,337,776,821
	1,790	\$1,902,961	1,911,221,490

Holders of the Series G Preferred Stock will be entitled to dividends in the amount of 10% per annum. During the six months ended June 30, 2017, the Company converted dividends in the amount of \$49,096 on the Series G Preferred Stock, resulting in the issuance of 114,854,745 shares of common stock.

Table of Contents

On June 29, and June 30, 2017, the Company redeemed the remaining 210 outstanding shares, and the related accrued dividends for cash payments in the amount of \$232,440. Due to international wire cut off times, \$182,715 of that amount was not actually paid until July 3, 2017, and the resulting liability is included in accounts payable on the Condensed Consolidated Balance Sheet for the six months ended June 30, 2017.

As of June 30, 2017, all Series G Preferred Stock Shares, and the related accrued dividends, had either been converted or redeemed.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion option in the Series G Preferred Stock were deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. At December 31, 2016 the fair value of the derivative liability was \$361,831 and was \$219,347 prior to the redemption.

At June 30, 2017, the Company recorded the reduction of the remaining embedded derivative associated with the Series G Preferred Stock of \$219,347 as a gain in the "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Condensed Consolidated Statements of Operations for the three months ended June 30, 2017. The net gain recorded for the six months ended June 30, 2017 was \$361,831, to properly reflect the elimination of the embedded derivative as of June 30, 2017.

Conversion Inducement and Disposal Price Guarantee

On January 17, 2017, one of the Series G Preferred Stock holders ("Holder A") requested a conversion of 100 shares of Series G Preferred Stock, \$100,000 face value, including accrued dividends of \$6,416.67 for a total conversion value of \$106,416.67 into common stock of the Company at a conversion price of \$0.00112 which would have resulted in the issuance of 95,014,884 shares of common stock. At the date of the request the Company did not have enough authorized shares to execute the conversion request and therefore entered into an agreement with Holder A to honor the conversion price of \$0.00112 and issue the 95,014,884 shares of common stock upon the increase of the authorized common shares of the Company. The actual conversion occurred on March 17, 2017 which would have been a conversion price of \$0.00168. In conjunction with the conversion price agreement the Company agreed to provide a minimum disposal price guarantee to the Holder A of \$0.003 on the tranche of 95,014,884 shares. If Holder A fails to dispose of these shares at \$0.003 or above the Company will issue additional shares of common stock to make up the difference between the minimum disposal price of \$0.003 and the price that Holder A disposed of the shares.

During the six months ended June 30, 2017, in accordance with ASC 470-20-40-16, the Company recorded expense of \$79,179 related to the conversion inducement and expense of \$134,566 related to the disposal price guarantee. The amount related to the disposal price guarantee was also recorded as a corresponding liability in the Condensed Consolidated Balance Sheet as of June 30, 2017.

On June 29, 2017, the Company and Holder A agreed to settle the disposal price guarantee liability in cash instead of shares of the Company's common stock. The liability will be paid in three equal monthly installments commencing on June 30, 2017. As of June 30, 2017, the Company had paid \$44,855 towards this liability and the remaining balance was \$89,711.

NOTE 14. SERIES H PREFERRED STOCK AND JULY 2016 CONVERTIBLE NOTES

Series H Preferred Stock

On June 9, 2016, the Company entered into a securities purchase agreement with a private investor to issue 2,500 shares of Series H Preferred Stock for \$2,500,000. The Company received gross proceeds of \$250,000 at Closing. Additional gross proceeds of \$580,000 were received by the Company through July 7, 2016. The Company agreed to exchange outstanding Series H Preferred Stock for Senior Secured Convertible Notes (“July 2016 Notes”) on July 13, 2016. At the date of the exchange, the Company had sold and issued 830 shares of Series H Preferred Stock to the private investor in exchange for \$830,000 of gross proceeds. Refer to the section below for details of the exchange.

Table of Contents

July 2016 Convertible Notes

On July 13, 2016, the Company entered into a securities purchase agreement (the "Note SPA") with the private investor for the private placement of up to \$2,082,600 of the Company's 4% Original Issue Discount Senior Secured Convertible Promissory Notes (the "July 2016 Convertible Notes"). On July 13, 2016, the Company sold and issued \$364,000 principal amount of notes to the investor in exchange for \$350,000 of gross proceeds. The Company sold and issued the remaining \$1,718,600 principal amount of July 2016 Convertible Notes to the investor in exchange for \$1,650,000 of gross proceeds in weekly tranches between July and September 2016.

The Company and the private investor also entered into an Exchange Agreement dated July 13, 2016 (the "Exchange Agreement"). Under the terms of the Exchange Agreement, the outstanding shares of Series H Preferred Stock (approximately \$833,000 of capital and accrued dividends) were canceled. In exchange, the Company issued to the private investor approximately \$866,000 of July 2016 Convertible Notes. There were 830 shares of Series H Preferred Stock outstanding as of the date of the Exchange Agreement.

Unless earlier converted or prepaid, all of the July 2016 Convertible Notes will mature July 13, 2017 (the "Maturity Date"). The July 2016 Convertible Notes bear interest at a rate of 10% per annum, subject to increase to 24% per annum upon the occurrence and continuance of an event of default. Principal on the July 2016 Convertible Notes is payable on the Maturity Date. Interest on the July 2016 Convertible Notes is payable quarterly. Principal and interest are payable in cash or, if specified equity conditions are met, shares of Common Stock.

The July 2016 Convertible Notes are secured by a security interest in substantially all of the Company's assets. The subsidiaries of the Company have guaranteed the Company's obligations under the July 2016 Convertible Notes.

The July 2016 Convertible Notes contain standard and customary events of default including but not limited to: (i) failure to make payments when due under the July 2016 Convertible Notes; (ii) bankruptcy or insolvency of the Company; and (iii) failure to file a registration statement by October 9, 2016.

On October 10, 2016 the Company had not been successful in filing the registration statement triggering an event of default per the July 2016 Note Agreement. Upon default the interest rate increases to 24% per annum and the holder of the July 2016 Notes has the option to accelerate the Note and demand cash payment of the Mandatory Default Amount consisting of a 25% premium of the principal balance plus any accrued and unpaid interest. The Company began accruing interest at the rate of 24% on October 10, 2016.

Forbearance and Settlement Agreement on July 2016 Convertible Notes

On May 5, 2017, the Company entered into a Forbearance and Settlement Agreement ("Forbearance Agreement") with a holder of certain secured convertible notes that are in default due to various triggering events. The holder and the Company agreed to forbear from taking any action provided for under the secured convertible notes in exchange for the following terms provided in this agreement:

The Company agreed to redeem for cash all secured convertible notes of the Company held by the holder no later than September 1, 2017.

The Company affirmed that the current balance of owed principal and accrued and unpaid interest to the holder is \$1,790,214 as of May 2, 2017.

The redemption price for such secured convertible notes shall be 120% (if redeemed on or prior to August 15, 2017) or 125% (if redeemed after August 15, 2017) of the then outstanding principal, plus any accrued and unpaid interest.

During the month of May 2017, the Holder agreed to limit its conversions of outstanding Company secured convertible notes to \$50,000 per calendar week of principal/interest.

During the months of June, July and August 2017, the holder agreed to limit its conversions of outstanding Company secured convertible notes to \$75,000 per calendar week of principal/interest.

During the months of May, June, July and August 2017, the holder agreed that all outstanding Company secured convertible notes shall bear interest at the normal stated rate of 10%, rather than default rate of 24%.

Table of Contents

All conversions during the months of May, June, July and August 2017 will be at the “triggering event” discount conversion price as stated in the secured convertible notes, and will continue at the “triggering event” discount price until, if and when the notes are redeemed.

Should the Company fail to redeem for cash all secured convertible notes on or before September 1, 2017, default interest and normal stated interest will accrue from the date of execution of this agreement.

All principal and accrued interest on the July 2016 Convertible Notes are convertible at any time, in whole or in part, at the option of the private investor, into shares of Common Stock at a variable conversion price equal to the lowest of (i) \$0.045 (the “Fixed Conversion Price”), (ii) 70% of the lowest volume weighted average price (“VWAP”) of the Company's common stock for the ten consecutive trading day period prior to the conversion date or (iii) 70% of the lowest closing bid price of the Company's common stock for the ten consecutive trading day period prior to the conversion date. If certain defined triggering events occur, the conversion price would thereafter be reduced (and only reduced), to equal 60% of the lower of (i) the lowest closing bid price of the Company's common stock for the thirty consecutive trading day period prior to the conversion date or (ii) the lowest VWAP of the the Company's common stock for the thirty consecutive trading day period prior to the conversion date. In addition, on the 90th day and also on the 180th day from the date of the Note SPA, the private investor may reset the Fixed Conversion Price to thereafter be equal to the VWAP of the Common Stock for such day or if such 90th or 180th day is not a trading day, then the VWAP for the immediately preceding trading day. The following table summarizes the conversion activity on the principal of the July 2106 Convertible Notes:

Conversion Period	July 2016 Convertible Notes	
	Converted (exclusive of interest)	Common Shares Issued
Q4 2016	\$ 152,460	64,000,000
Q1 2017	1,017,732	959,704,543
Q2 2017	682,235	1,865,043,998
	\$ 1,852,427	2,888,748,541

As of June 30, 2017, \$3,960 of accumulated interest on the July 2016 Convertible Notes had been converted and \$600,000 principal had been redeemed in cash. In accordance with the Forbearance Agreement, the Company has recorded \$100,000 as interest expense for the 20% redemption penalty which will be paid with the accrued interest on the Notes. Although the Forbearance Agreement reduced the interest rate to the original stated rate, the Company has continued to accrue interest at the default rate due to the uncertainty that payment of the notes will be complete by the agreed date. The remaining principal balance and accrued interest, as of June 30, 2017 was \$496,600 and \$421,345, respectively.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion options in the July 2016 Convertible Notes were deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. At December 31, 2016 the fair value of the derivative liability was \$5,078,889.

The derivative liability associated with the July 2016 Convertible Notes is subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. At June 30, 2017, the Company conducted a

fair value assessment of the embedded derivative associated with the July 2016 Convertible Notes. As a result of the fair value assessment, the Company recorded a \$2,625,608 gain as "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Statements of Operations, for the three months ended June 30, 2017. The total gain recorded for the six months ended June 30, 2017 was \$5,047,445 to properly reflect the fair value of the embedded derivative of \$31,444 as of June 30, 2017.

The fair value measurements rely primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The derivative associated with the July 2016 Convertible Notes approximates management's estimate of the fair value of the embedded derivative liability at June 30, 2017 based on using a Monte Carlo simulation following a Geometric Brownian Motion with the following assumptions: annual volatility of 53%, present value discount rate of 12%, dividend yield of 0%.

Table of Contents

NOTE 15. SERIES I PREFERRED STOCK AND EXCHANGE CONVERTIBLE NOTES

Series I Preferred Stock

On July 26, 2016, the Company entered into a securities purchase agreement with a private investor for the placement of approximately 536 of the Company's Series I Preferred Stock. At Closing, the Company issued a total of 536 shares of Series I Preferred Stock to the private investor in exchange for the cancellation of an outstanding \$536,000 promissory note (including accrued interest) of the Company held by the private investor.

On September 13, 2016, the private investor (the "Series I Seller") entered into an assignment agreement with an accredited investor (the "Series I Purchaser"). Under the terms of the assignment agreements, the Series I Seller may sell all 326 outstanding shares of Series I Preferred Stock to the Series I Purchaser for a purchase price of \$1,000 per share of Series I Preferred Stock (plus the amount of any accrued and unpaid dividends thereon). In September and October 2016, the Series I Seller sold all 326 shares of Series I Preferred Stock, representing a value of \$332,633, to the Series I Purchaser.

On September 13, 2016, the Company agreed to exchange outstanding Series I Preferred Stock for convertible notes ("Exchange Convertible Notes") and as of December 31, 2016 the Series I Purchaser had exchanged all 326 shares of Series I Preferred Stock and no shares were outstanding. Refer to the section below for details of the exchange.

Series I Exchange Convertible Notes

On September 13, 2016, the Company and the investor entered into an Exchange Agreement (the "Exchange Agreement"). Under the terms of the Exchange Agreement, the investor has the right, from time to time, to surrender to the Company for cancellation and exchange any shares of Series I Preferred Stock it acquires pursuant to the Assignment Agreement. Any surrendered shares of Series I Preferred Stock would be exchanged for newly issued Exchange Convertible Notes. The principal amount of Exchange Convertible Notes to be issued in exchange shall be equal to (i) \$1,000 for each share of Series I Preferred Stock surrendered for exchange plus (ii) the amount of any dividends accrued and unpaid on such Series I Preferred Stock surrendered for exchange. During the year ended December 31, 2016, the investor exercised their option to exchange 326 Series I Preferred Shares, representing a value of \$332,633, resulting in the creation of \$332,633 of Exchange Convertible Notes.

Unless earlier converted or prepaid, all of the Exchange Convertible Notes will mature one year after issuance. The Exchange Convertible Notes bear interest at a rate of 10% per annum, subject to increase to 24% per annum upon the occurrence and continuance of an event of default (as described below). Principal and interest on the Exchange Convertible Notes is payable on the maturity date or upon any earlier conversion. Principal and interest are payable in cash or, if specified equity conditions are met, shares of common stock.

All principal and accrued interest on the Exchange Convertible Notes are convertible at any time, in whole or in part, at the option of the investor, into shares of common stock at a variable conversion price equal to the lowest of (i) the lowest closing bid price of our common stock for the ten consecutive trading day period prior to the conversion date or (ii) 70% of the lowest VWAP of our common stock for the ten consecutive trading day period prior to the conversion date. The following table summarizes the conversion activity of the Exchange Convertible Notes:

Conversion Period	Exchange Convertible Notes Converted	Common Shares Issued
Q3 2016	\$ 15,000	1,470,588

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

Q4 2016	91,563	13,346,274
Q1 2017	70,000	50,503,662
Q2 2017	37,535	86,987,428
	\$ 214,098	152,307,952

As of June 30, 2017, no interest accumulated on the Exchange Convertible Notes had been converted. The remaining principal balance and accrued interest, as of June 30, 2017 was \$118,536 and \$14,538, respectively.

Table of Contents

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion options in the Exchange Convertible Notes were deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability on September 14, 2016, a derivative liability and a corresponding debt discount in the amount of \$275,000 was recorded. The debt discount will be charged to interest expense ratably over the life of the Exchange Convertible Notes.

The derivative liability associated with the Exchange Convertible Notes is subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. At June 30, 2017, the Company conducted a fair value assessment of the embedded derivative associated with the Exchange Convertible Notes. As a result of the fair value assessment, the Company recorded a \$45,489 loss as "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Statements of Operations, for the three months ended June 30, 2017. The net gain recorded for the six months ended June 30, 2017 was \$65,961, to properly reflect the fair value of the embedded derivative of \$130,656 as of June 30, 2017.

The fair value measurements rely primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The derivative associated with the Exchange Convertible Notes approximates management's estimate of the fair value of the embedded derivative liability at June 30, 2017 based on using a Monte Carlo simulation following a Geometric Brownian Motion with the following assumptions: annual volatility of 46%, present value discount rate of 12%, dividend yield of 0%.

NOTE 16. SERIES J PREFERRED STOCK AND SERIES J-1 PREFERRED STOCK

Series J Preferred Stock

On September 19, 2016, the Company entered into a securities purchase agreement with one accredited investor for the private placement of \$1,350,000 of the Company's newly designated Series J Convertible Preferred Stock ("Series J Preferred Stock"). As of June 30, 2017, the Company had issued 1,350 shares of Series J Preferred Stock in exchange for proceeds of \$1,350,000.

On March 29, 2017, the accredited investor (the "Series J Seller") entered into an assignment agreement with a private investor (the "Series J Purchaser"). Under the terms of the assignment agreement, the Series J Seller may sell 250 outstanding shares of Series J Preferred Stock to the Series J Purchaser for a purchase price of \$1,000 per share of Series J Preferred Stock (plus the amount of any accrued and unpaid dividends thereon). As of June 30, 2017, the Series J Seller had sold 250 shares of Series J Preferred Stock, representing a value of \$250,000, to the Series J Purchaser.

Holder of the Series J Preferred Stock are entitled to dividends in the amount of 10% per annum. Shares of the Series J Preferred Stock (including the amount of any accrued and unpaid dividends thereon) are convertible at the option of the holder into common stock at a fixed conversion price of \$0.015 per share. As of June 30, 2017, no shares of the Series J Preferred Stock had been converted at the fixed conversion price; 275 shares of Series J Preferred Stock were converted under conversion inducement offers. (See Conversion Inducement Offers discussion below).

There are no registration rights applicable to the Series J Preferred Stock. Accordingly, any shares of Common Stock issued upon conversion of the Series J Preferred Stock are restricted and can only be sold in compliance with Rule 144 or in accordance with another exemption from registration.

One year after issuance, the Company is required to redeem for cash all or any portion of the outstanding shares of the Series J Preferred Stock at a price per share equal to \$1,000 plus any accrued but unpaid dividends thereon. There were 1,075 shares of Series J Preferred Stock outstanding as of June 30, 2017, representing a value of \$1,075,000 and accrued dividends were \$78,826.

Conversion Inducement Offers

On March 24, 2017, the Company offered to lower the conversion price, applicable to 100 shares of Series J Preferred Stock. The reduced conversion rate was \$0.00147 calculated by giving a 30% discount on the day's closing bid price resulting in the issuance of 71,636,432 shares of common stock. In accordance with ASC 470-20, the Company recorded a conversion expense of \$142,155 related to the inducement offer.

Table of Contents

On March 29, 2017, the Company offered to lower the conversion price, applicable to 120 shares of Series J Preferred Stock. The reduced conversion rate was \$0.00105 calculated by giving a 30% discount to the lowest closing bid price in a ten day look back period resulting in the issuance of 125,429,895 shares of common stock. In accordance with ASC 470-20, the Company recorded a conversion expense of \$186,640 related to the inducement offer.

On May 8, 2017, the Company offered to lower the conversion price, applicable to 50 shares of Series J Preferred Stock. The reduced conversion rate was \$0.00028 calculated by giving a 30% discount to the lowest closing bid price in a ten day look back period resulting in the issuance of 189,484,143. In accordance with ASC 470-20, the Company recorded a conversion expense of \$92,974 related to the inducement offer.

As a result of these inducement offers, the Company re-evaluated the classification of the Series J Preferred Stock in the financial statements. Upon original issuance, in accordance with ASC 480-10, the instrument was classified as temporary mezzanine equity in the Company's Consolidated Balance Sheets. Due to the inducement offers described above, the Company no longer believes the original classification is still applicable and has restated the Series J Preferred Stock as a liability on the Consolidated Balance Sheets.

In addition, the Company re-evaluated the embedded conversion feature of the Series J Preferred Stock. Upon original issuance, the embedded conversion feature was determined to not require bifurcation, in accordance with ASC 815-10. Due to the inducement offers described above, the Company no longer believes the embedded conversion feature should remain unbifurcated.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion option in the Series J Preferred Stock, post inducement offers, was deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. At March 24, 2017, the fair value of the derivative liability was \$705,024 .

The derivative liability associated with the Series J Preferred Stock is subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. At June 30, 2017, the Company conducted a fair value assessment of the embedded derivative associated with the Series J Preferred Stock. As a result of the fair value assessment, the Company recorded a \$64,912 loss as "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Condensed Consolidated Statements of Operations, for the three months ended June 30, 2017. The net gain recorded for the six months ended June 30, 2017 was \$197,635, to properly reflect the fair value of the embedded derivative of \$507,389 as of June 30, 2017.

The fair value measurements rely primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The derivative associated with the Series J Preferred Stock approximates management's estimate of the fair value of the embedded derivative liability at June 30, 2017 based on using a Monte Carlo simulation following a Geometric Brownian Motion with the following assumptions: annual volatility of 47% , present value discount rate of 12% and dividend yield of 0%.

Series J-1 Preferred Stock

On October 14, 2016, the Company entered into a securities purchase agreement with a private investor to issue 1,000 shares of Series J-1 Preferred Stock for \$1,000,000. The Company issued a total of 700 shares of Series J-1 Preferred Stock to the private investor in exchange for gross proceeds of \$700,000.

Shares of the Series J-1 Preferred Stock (including the amount of any accrued and unpaid dividends thereon) may be converted, at the option of the holder, into common stock at a fixed conversion price of \$0.0125 per share. Holders of the Series J-1 Preferred Stock will be entitled to dividends in the amount of 10% per annum. One year after issuance, the Company is required to redeem for cash all or any portion of the outstanding shares of Series J-1 Preferred Stock at a price per share equal to \$1,000 plus any accrued but unpaid dividends thereon. The Company had 700 shares of Series J-1 Preferred Stock issued and outstanding as of June 30, 2017, representing a value of \$700,000 and accrued

dividends were \$47,333.

The Company classified the Series J-1 Preferred Stock as mezzanine equity pursuant to ASC 480 on the closing date due to the structure of the financing agreement, whereby the Company may settle by issuing a fixed number of common shares with a monetary value that is fixed and known at inception.

Table of Contents

NOTE 17. OCTOBER 2016 CONVERTIBLE NOTES AND EXCHANGE OF SERIES A PREFERRED STOCK

October 2016 Convertible Notes

On October 5, 2016, the Company entered into a securities purchase agreement with a private investor (“Adar Bays”) for the private placement of \$330,000 principal amount of October 2016 Convertible Notes. At Closing, the Company sold and issued \$330,000 principal amount of October 2016 Convertible Notes to Adar Bays in exchange for \$330,000 of gross proceeds.

Unless earlier converted or prepaid, the October 2016 Convertible Notes will mature December 31, 2017 (the “Maturity Date”). The October 2016 Convertible Notes bear interest at a rate of 6% per annum, subject to increase to 24% per annum upon the occurrence and continuance of an event of default (as described below). Principal and accrued interest on the October 2016 Convertible Notes is payable on the Maturity Date.

All principal and accrued interest on the October 2016 Convertible Notes are convertible at any time, in whole or in part, at the option of Adar Bays, into shares of common stock at a variable conversion price equal to 80% of the lowest closing bid price of the Company’s common stock for the fifteen consecutive trading day period prior to the conversion date. After the six month anniversary of the issuance of any October 2016 Convertible Note, the conversion price for such note shall thereafter be equal to 50% of the lowest closing bid price of the Company’s common stock for the fifteen consecutive trading day period prior to the conversion date.

The October 2016 Convertible Notes contain standard and customary events of default including but not limited to: (i) failure to make payments when due under the October 2016 Convertible Notes; and (ii) bankruptcy or insolvency of the Company.

Outstanding principal and accrued interest on the October 2016 Convertible Notes were \$330,000 and \$14,740, respectively as of June 30, 2017.

Pursuant to a number of factors outlined in ASC Topic 815, Derivatives and Hedging, the conversion option in the October 2016 Convertible Notes were deemed to include an embedded derivative that required bifurcation and separate accounting. As such, the Company ascertained the value of the conversion option as if separate from the convertible issuance and appropriately recorded that value as a derivative liability. At closing, a derivative liability and a corresponding debt discount in the amount of \$330,000 was recorded. The fair value of the derivative was greater than the face value at issuance and the difference of \$341,000 was charged to interest expense at issuance. The remaining debt discount will be charged to interest expense ratably over the life of the October 2016 Convertible Notes.

The derivative liability associated with the October 2016 Convertible Notes is subject to revaluation on a quarterly basis to reflect the market value change of the embedded conversion option. At March 31, 2017 and June 30, 2017, the Company conducted a fair value assessment of the embedded derivative associated with the October 2016 Convertible Notes. As a result of the fair value assessment, the Company recorded a \$333,706 loss as "Change in fair value of derivatives and gain/(loss) on extinguishment of liabilities, net" in the Condensed Consolidated Statements of Operations for the three months ended June 30, 2017. The net loss recorded for the six months ended June 30, 2017 was \$199,935, to properly reflect the fair value of the embedded derivative of \$744,681 as of June 30, 2017.

The fair value measurements rely primarily on Company-specific inputs and the Company’s own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The derivative associated with the October 2016 Convertible Notes approximates management’s estimate of the fair value of the embedded derivative liability at June 30, 2017 based on

using a Monte Carlo simulation following a Geometric Brownian Motion with the following assumptions: annual volatility of 64% present value discount rate of 12% and dividend yield of 0%.

Exchange of Outstanding Series A Preferred Stock for Convertible Notes

In 2013, the Company completed private placement to one accredited investor (the “Series A Holder”) of its Series A Convertible Preferred Stock. Prior to the exchange agreement described below the Company had 165,541 shares of Series A Preferred Stock that remained outstanding as of October 6, 2016.

On October 6, 2016, the Series A Holder entered into an exchange agreement (the “Exchange Agreement”) with Adar Bays. Pursuant to the exchange agreement, beginning December 5, 2016, Adar Bays has the option to exchange, from time to time, all or any portion of the October 2016 Convertible Notes for outstanding shares of Series A Preferred Stock from the Series A Holder.

Table of Contents

As of June 30, 2017, Adar Bays had elected to exchange all outstanding October 2016 Convertible Notes, in accordance with the exchange agreement, and the Series A Holder held \$330,000 of the October 2016 Convertible Notes.

NOTE 18. SERIES K PREFERRED STOCK

On February 8, 2017, the Company, entered into a securities purchase agreement (“Series K SPA”) with a private investor (“Investor”), for the private placement of up to \$20,000,000 of the Company’s newly designated Series K Convertible Preferred Stock (“Series K Preferred Stock”).

Per the terms of the Series K SPA, the Company was scheduled to sell 1,000 shares of Series K Preferred Stock to Investor in exchange for \$1,000,000 of gross proceeds on or before each of (i) February 24, 2017, (ii) March 27, 2017, (iii) April 27, 2017, (iv) May 27, 2017 and (v) June 27, 2017. The Company was also scheduled to sell 15,000 shares of Series K Preferred Stock to Investor in exchange for \$15,000,000 of gross proceeds on or before July 27, 2017. As of June 30, 2017, the Company had sold 4,250 shares of Series K Preferred Stock in exchange for \$4,250,000 in cash proceeds from the private investor. Although actual closings have varied from the original schedule, the Company expects to receive the full funding amount outlined above during 2017 in various tranches. The following summarizes the closings and proceeds received as of June 30, 2017:

Closing Period	Preferred	Closing Amount
	Series K Shares Purchased	
Q1 2017	150	\$ 150,000
Q2 2017	4,100	4,100,000
	4,250	\$4,250,000

The Series K Preferred Stock ranks senior to the Company’s common stock in respect to dividends and rights upon liquidation. The Series K Preferred Stock will not have voting rights and the holders of the Series K Preferred Stock will not be entitled to any fixed rate of dividends.

The shares of the Series K Preferred Stock will be convertible at the option of the holder into common stock at a fixed conversion price equal to \$0.004. At no time may the Series K Preferred Stock be converted if the number of shares of common stock to be received by Investor pursuant to such conversion, when aggregated with all other shares of common stock then beneficially (or deemed beneficially) owned by Investor, would result in Investor beneficially owning more than 19.99% of all common stock then outstanding. The following table summarizes the conversion activity of Series K Preferred Stock:

Conversion Period	Preferred	Value of	Common Shares Issued
	Series K Shares Converted	Series K Preferred Shares	
Q2 2017	3,200	\$3,200,000	800,000,000
	3,200	\$3,200,000	800,000,000

As of June 30, 2017, the investor owned approximately 11% of the Company's outstanding common stock and there are 1,050 shares of Series K Preferred Stock Outstanding, representing a value of \$1,050,000.

The Company is required to redeem for cash any outstanding shares of the Series K Preferred Stock at a price per share equal to \$1,000 plus any accrued but unpaid dividends (if any) thereon on the fifth anniversary of the date of the original issue of such shares.

Upon our liquidation, dissolution or winding up, holders of Series K Preferred Stock will be entitled to be paid out of our assets, prior to the holders of our common stock, an amount equal to \$1,000 per share plus any accrued but unpaid dividends (if any) thereon.

Upon issuance, in accordance with ASC 480-10, the Series K Preferred Stock was classified as a liability on the Consolidated Balance Sheets. Pursuant to a number of factors outlined in ASC Topic 815, the conversion option in the Series K Preferred Stock was deemed to not require bifurcation or separate accounting treatment.

Table of Contents**NOTE 19. 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 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 the make-whole dividends should be characterized as embedded derivatives under ASC 815. The make-whole dividends were expensed at the time of issuance and recorded as "Make-whole dividend liability" in the Condensed Consolidated Balance Sheets.

The fair value of these dividend liabilities, which are indexed to the Company's common stock, must be evaluated at each period end. The fair value measurements rely primarily on Company-specific inputs and the Company's own assumptions. With the absence of observable inputs, the Company determined these recurring fair value measurements reside primarily within Level 3 of the fair value hierarchy. The fair value determination required forecasting stock price volatility, expected average annual return and conversion date. During the six months ended June 30, 2017, the fair value of the make-whole liability decreased \$0.25 million from the fair value at December 31, 2016 as a result of the conversion described below.

As of March 31, 2017, a Preferred Series A holder had converted 104,785 shares of Series A Preferred Stock, and the related make whole dividend of \$419,140, which resulted in the issuance of 173,946,250 shares of common stock.

At June 30, 2017, there were 60,756 shares of Series A outstanding and the Company was entitled to redeem the outstanding Series A preferred shares for \$0.5 million, plus a make-whole amount of \$0.2 million, payable in cash or common shares. The fair value of the make-whole dividend liabilities for the Series A preferred shares, which approximates cash value, was \$0.2 million as of June 30, 2017.

NOTE 20. STOCKHOLDERS' DEFICIT**Common Stock**

At June 30, 2017, the Company had 20,000,000,000 shares of common stock, \$0.0001 par value, authorized for issuance. Each share of common stock has the right to one vote. As of June 30, 2017, the Company had 6,976,187,874 shares of common stock outstanding. The Company has not declared or paid any dividends related to the common stock through June 30, 2017.

Preferred Stock

At June 30, 2017, the Company had 25,000,000 shares of preferred stock, \$0.0001 par value, authorized for issuance. 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. The following table summarizes the designations, shares authorized, and shares outstanding for the Company's Preferred Stock:

Preferred Stock Series Designation	Shares Outstanding
Series A	60,756
Series E	70
Series F	160
Series J	1,075
Series J-1	700
Series K	1,050

Series A Preferred Stock

Refer to Note 10 descriptions of Series A Preferred Stock.

25

Table of Contents

Series E Preferred Stock

Refer to Note 11 descriptions of Series E Preferred Stock.

Series F Preferred Stock

Refer to Note 12 descriptions of Series F Preferred Stock.

Series G Preferred Stock

Refer to Note 13 descriptions of Series G Preferred Stock.

Series H Preferred Stock

Refer to Note 14 descriptions of Series H Preferred Stock.

Series I Preferred Stock

Refer to Note 15 descriptions of Series I Preferred Stock.

Series J and Series J-1 Preferred Stock

Refer to Note 16 descriptions of Series J and Series J-1 Preferred Stock.

Series K Preferred Stock

Refer to Note 18 descriptions of Series K Preferred Stock.

NOTE 21. 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 Consolidated Statements of Operations was as follows:

	For the three months ended		For the	
	June 30,		six months ended June	
	2017	2016	2017	2016
Share-based compensation cost included in:				
Research and development	\$ 287	\$ 79,595	\$ 16,898	\$ 125,284
Selling, general and administrative	15,887	260,547	79,013	432,696
Total share-based compensation cost	\$ 16,174	\$ 340,142	\$ 95,911	\$ 557,980

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

	For the three months ended		For the	
	June 30,		six months ended June	
	2017	2016	2017	2016
Type of Award:				
Stock Options	\$ 16,174	\$ 141,574	\$ 69,582	\$ 236,958
Restricted Stock Units and Awards	—	198,568	26,329	321,022
Total share-based compensation cost	\$ 16,174	\$ 340,142	\$ 95,911	\$ 557,980

Table of Contents

Stock Options: The Company recognized share-based compensation expense for stock options of \$70,000 to officers, directors and employees for the six months ended June 30, 2017 related to stock option awards ultimately expected to vest. The weighted average estimated fair value of employee stock options granted for the six months ended June 30, 2017 and 2016 was \$0.00 and \$1.20 per share, respectively. Fair value was calculated using the Black-Scholes Model with the following assumptions:

	For the six months ended June 30,	
	2017	2016
Expected volatility	114%	115%
Risk free interest rate	1%	1%
Expected dividends	—	—
Expected life (in years)	6.0	5.8

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 June 30, 2017, total compensation cost related to non-vested stock options not yet recognized was \$52,000 which is expected to be recognized over a weighted average period of approximately 1.5 years, 67,007 shares were vested or expected to vest in the future at a weighted average exercise price of \$39.97, and 193,824 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 \$26,000 for the six months ended June 30, 2017. The weighted average estimated fair value of restricted stock grants for the six months ended June 30, 2017 and 2016 was \$0.00 and \$2.00 per share, respectively.

As of June 30, 2017, there was no unrecognized share-based compensation expense from unvested restricted stock, 0 shares were expected to vest in the future, and, 518,388 shares remained available for future grants under the Restricted Stock Plan.

NOTE 22. RELATED PARTY TRANSACTIONS

On August 29, 2016, the Company entered into a note purchase agreement with Tertius Financial Group Pte. Ltd. ("TFG") for the private placement of \$330,000 of the Company's original issue discount notes with an original maturity date of November 26, 2016. The notes bear interest of 6% per annum and principal and interest on the notes are payable upon maturity. The notes are unsecured and not convertible into equity shares of the Company.

On December 6, 2016, the Company issued a new \$600,000 original issue discount note to TFG in exchange for (i) \$200,000 of additional gross proceeds and (ii) cancellation of the existing outstanding \$330,000 note. The new TFG note bears interest at a rate of 6% per annum and matures on December 31, 2017. Principal and interest on the new TFG note is payable at maturity. Following the transaction, the outstanding balance of the new note was \$602,000 (including accrued and unpaid interest) with a discount of \$60,000 as of December 31, 2016.

On January 19, 2017, the Company issued 333,333,333 shares of unregistered common stock in a private placement to TFG pursuant to a Securities Purchase Agreement (the "SPA").

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

Pursuant to the SPA, the Company issued the 333,333,333 shares to TFG in exchange for cancellation of its \$600,000 promissory note (including accrued interest of approximately \$4,340) that was issued by the Company on December 6, 2016. The SPA does not provide any registration rights for the shares issued to TFG.

TFG is a Singapore based entity controlled and 50% owned by Ascent's President & CEO, Victor Lee, and owns less than 5% of the Company's outstanding shares at June 30, 2017.

All related party transactions were approved by our independent board of directors.

Table of Contents

NOTE 23. COMMITMENTS AND CONTINGENCIES

The Company is subject to various legal proceedings, both asserted and unasserted, that arise in the ordinary course of business. The Company cannot predict the ultimate outcome of such legal proceedings or in certain instances provide reasonable ranges of potential losses. However, as of the date of this report, the Company believes that none of these claims will have a material adverse effect on its consolidated financial position or results of operations. In the event of unexpected subsequent developments and given the inherent unpredictability of these legal proceedings, there can be no assurance that the Company's assessment of any claim will reflect the ultimate outcome, and an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's consolidated financial position or results of operations in particular quarterly or annual periods.

On October 21, 2011, the Company was notified that a complaint claiming \$3.0 million 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. In addition, Jefferies claimed an award for attorney's fees and prejudgment interest in the approximate amount of \$1.2 million.

On April 16, 2014, the parties settled the lawsuit where the Company agreed to pay Jefferies a total of \$2.0 million in equal installments over 40 months. The Company paid \$150,000 during the six months ended June 30, 2017.

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. The Company accrued \$1.7 million, the net present value of the \$2.0 million settlement, as of December 31, 2013. As of June 30, 2017, \$49,620 was the remaining accrued litigation settlement, recorded as a current liability in the Condensed Consolidated Balance Sheets.

As of June 30, 2017, the Company has recorded an accrual of \$143,000, on the statement of operations, for an estimated settlement with a former EnerPlex customer regarding a requested return of product after the warranty period. While negotiations are ongoing, the Company does not anticipate any further expense to be incurred.

NOTE 24. SUBSEQUENT EVENTS

Update on Series K Preferred Stock Transactions

As of August 14, 2017, an additional 3,750 shares of Series K Preferred Stock had been issued in exchange for \$3,750,000 in proceeds. There are 1,800 outstanding shares of Series K Preferred Stock, as of the date of this report, representing a value of \$1,800,000.

On July 28, 2017, 3,000 shares of Series K Preferred Stock was converted into 750,000,000 shares of the Company's common stock. Following this transaction, and as of the date of this report, the Series K investor owns 17.99% of the Company's outstanding common stock.

Update on July 2016 Convertible Notes Redemption

As of August 14, 2017, additional cash payments of \$496,600 and \$403,400 had been made on the outstanding principal and interest of the July 2016 Convertible Notes, respectively. As of the date of this report, the principal of the July 2016 Convertible Notes has either been converted or redeemed in full.

Update on Series I Exchange Convertible Notes

As of August 14, 2017, the Series I Exchange Convertible Notes had been either converted or redeemed in full. On July 26, 2017, the investor converted \$20,000 in principal and on July 31, 2017, the investor converted \$98,536 in

principal and \$10,268 in interest. These conversions resulted in the aggregate issuance of 306,675,548 shares of the Company's common stock. Also on July 31, 2017, the Company paid the remaining accrued interest of \$5,255 in cash.

Update on Series J-1 Preferred Stock

On August 10, 2017, the Company entered into a redemption agreement with the holder of the Series J-1 Preferred Stock. In accordance with this agreement, the holder surrendered \$700,000 face value of Series J-1 Preferred Stock and \$55,305.55 in accrued dividends in exchange for 500,000,000 shares of the Company's common stock and a warrant to purchase 250,000,000 shares of the Company's common stock. The warrant has a fixed exercise price of \$0.003 and a term of one year. The warrant

Table of Contents

may not be exercised if, after giving effect to the exercise, the holder would beneficially own in excess of 9.99% of the Company's outstanding shares of Common Stock.

Update on payments on Promissory Notes

As of August 14, 2017, additional interest payments of \$50,581 had been made on promissory notes issued between December 2016 and April 2017.

As of August 14, 2017, principal payments of \$20,150 and interest payments of \$41,655, had been made on the Promissory Note dated January 17, 2017.

Settlement Agreement with Consultant

On July 24, 2017, the Company entered into a settlement agreement with a consultant that had been retained by the Company in July 2016. The Company settled all of its obligations with the consultant and canceled the consulting agreement. Under the settlement, the Company will pay the consultant \$20,000 in cash and will issue a warrant to the consultant for 250,000,000 shares of common stock. The warrant has a fixed exercise price of \$0.004 and a term of one year. The warrant may not be exercised if, after giving effect to the exercise, the holder would beneficially own in excess of 9.99% of the Company's outstanding shares of Common Stock.

Table of Contents

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 company formed to commercialize flexible photovoltaic modules using our proprietary technology. For the three and six months ended June 30, 2017, we generated \$25,134 and \$305,737 of revenue from product sales, respectively.

In 2012, we transitioned our business model adding a second business focused on developing PV integrated consumer electronics. In June of 2012, we launched our new line of consumer products under the EnerPlex™ brand, and introduced our first product, the Surfr™ battery and a solar case for the Apple® iPhone® 4/4S smart phone featuring our ultra-light CIGS thin film technology integrated directly into the case. The case incorporates our ultra-light and thin PV module into a sleek, protective iPhone 4/4S case, along with a thin, life extending, battery. The charger adds minimal weight and bulk to the iPhone, yet provides supplemental charging when needed.

In December 2012, we launched the EnerPlex Kickr™ and EnerPlex Jumpr™ product series. The Kickr IV is an extremely portable, compact and durable solar charging device, approximately seven inches by seven inches when folded, and weighs less than half a pound. The Kickr IV provides 6.5 watts of regulated power that can help charge phones, digital cameras, and other small USB enabled devices. The Kickr IV is ideal for outdoor activities such as camping, hiking and mountain climbing as well as daily city use. To complement the Kickr IV, we also released the Jumpr™ series of portable power banks. The Jumpr™ series provides a compact power storage solution for those who need to take the power of the sun with them on the go. Throughout 2014, EnerPlex released multiple additions to the Jumpr line of products: including the Jumpr Stack 3,6 & 9, innovative batteries equipped with tethered micro-USB and Apple Lightning cables and revolutionary Stack & Charge design, enabling batteries to be charged simultaneously when they are placed on top of one another. Also released in 2014 were the Jumpr Slate series, products which push the boundaries of how thin batteries can be, the Jumpr Slate 10k, at less than 7mm thick was the thinnest lithium polymer battery available when it was released. The Jumpr Slate 5k and 5k Lightning each come with a tethered micro-USB and Lightning cable respectively; freeing consumers from worrying about toting extra cables with them while on the move.

Throughout 2013, we aggressively pursued new distribution channels for the EnerPlex™ brand; these activities have led to placement in a variety of high-traffic ecommerce venues such as www.walmart.com, www.brookstone.com, www.newegg.com as well as many others including our own e-commerce platform at www.goenerplex.com. The April 2013 placement of EnerPlex products at Fry's Electronics, a US West Coast consumer electronics retailer, represented our first domestic retail presence. EnerPlex products are carried in all of Fry's 34 stores across 9 states. In 2014 EnerPlex products launched in multiple online and brick-and-mortar partners; including BestBuy.com, 300 premium Verizon Wireless stores via partner The Cellular Connection (TCC) and 25 Micro Center stores across 16 states. In the third quarter of 2015, EnerPlex expanded its presence to 456 total TCC Verizon Wireless Premium retailers, adding 156 stores.

At Outdoor Retailer 2014, EnerPlex debuted the Generatr Series, the Generatr 1200 and Generatr 100 are lithium-ion based large format batteries; lighter and smaller than competitors, the Generatr Series is targeted for consumers who require high-capacity, high-output batteries which remain ultra-portable when compared to the competition. Also debuted at Outdoor Retailer was the Commandr 20, a high output solar charger designed specifically to integrate with and charge the Generatr series, allowing consumers to stay out longer without needing to charge their Generatr batteries from a traditional power source. In August 2014, the Kickr II+ and IV+ were also announced, these products represent another evolution in EnerPlex's line of solar products; integrated with a 500mAh battery the Kickr II+ and IV+ are able to provide a constant flow of power even when there are intermittent disruptions in sunlight.

During the first quarter of 2015 we reached an agreement with EVINE Live, one of the premier home shopping networks with TV programming that reaches over 87 million US homes to begin selling EnerPlex products during their broadcasts. During the second quarter EnerPlex launched the Generatr S100 and select other products exclusively with EVINE, and in the third quarter the Generatr 1200 launched exclusively with EVINE for a limited period.

Table of Contents

During the second quarter of 2015 EnerPlex launched its products into two world recognized retailers; including over 100 The Sports Authority stores nationwide, in addition to launching in select Cabela's, "The World's Foremost Outfitter", stores and via Cabela's online catalog. Internationally, EnerPlex products became available in the United Kingdom via the brand's launch with 172 Maplin's stores throughout the country. During the fourth quarter of 2015, EnerPlex launched with GovX, the premier online shopping destination for Military, Law Enforcement and Government agencies.

At the end of the first quarter of 2015, we announced that six EnerPlex products were awarded accolades as Red Dot Design Award winners, recognizing both the aesthetic as well as functional design of the Jumpr Quad, Jumpr Stack 3/6/9, the Generatr 100 and the Generatr 1200. During the third quarter of 2015 the Generatr 100 won a Best of Show Award at the CTIA Super Mobility show in Las Vegas. In 2015 Ascent Solar won its second R&D 100 Award, the 2015 award was given for the development of the MilPak platform, a military-grade solar power generation and storage unit. The MilPak platform is one of the most rugged, yet lightweight, power generation and storage solutions available, both attributes enabled by the use of Ascent's CIGS technology.

In the first quarter of 2016, EnerPlex launched the new Emergency sales vertical, partnering with Emergency Preparedness eCommerce leader, Emergency Essentials. In early 2016 Ascent announced new breakthroughs in the Company's line of high-voltage solar products, designed specifically for high-altitude and space markets, building on the progress previously announced in Q4, 2015. Also during the first quarter of 2016, the Company announced the launch of select products on the GSA Advantage website; which allows Federal employees, including members of all branches of the US Military, to directly purchase Ascent and EnerPlex products including: the MilPak E, Commandr 20, Kickr 4 and WaveSol solar modules.

In February 2017 Ascent announced the sale of our EnerPlex brand and related intellectual properties and trademarks associated with EnerPlex to our battery product supplier, Sun Pleasure Co. Limited ("SPCL") in an effort to better allocate its resources and to continue to focus on its core strength in the high-value specialty PV market. Following the transfer, Ascent will no longer produce or sell EnerPlex-branded consumer products. Ascent will also supply solar PV products to SPCL, supporting the continuous growth of EnerPlex™ with Ascent's proprietary and award-winning thin-film solar technologies and products.

Ascent continues to design and manufacture its own line of PV integrated consumer electronics, as well as portable power applications for commercial and military users. Due to the durability enabled by the monolithic integration employed in 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 the potential applications for our products are numerous. We also remain focused on specialty solar applications which can fully leverage the unique properties of our award winning CIGS technology. These include aerospace, defense, emergency management and consumer/OEM applications.

Commercialization and Manufacturing Strategy

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. Our monolithic integration techniques 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 we can achieve cost savings in, and increase the reliability of, our PV modules. We believe our technology and manufacturing process, which results in a lighter, flexible module package, provides us with unique market opportunities 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.

Currently, we are producing consumer and military oriented products focusing on charging devices powered by or enhanced by our solar modules. Products in these markets are priced based on the overall value proposition rather than a commodity-style price per watt basis. We continue to develop new consumer products and we have adjusted the utilization of our equipment to meet our near term forecast sales. 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.

We plan to continue the development of our PV technology in order 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.

Table of Contents

Related Party Activity

On February 2, 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. TFG Radiant owned less than 1% of our outstanding common stock as of June 30, 2017.

On August 29, 2016, the Company entered into a note purchase agreement with Tertius Financial Group Pte. Ltd. ("Tertius"), for the private placement of \$330,000 of the Company's original issue discount notes ("Discount Notes"). On August 29, 2016, the Company sold and issued \$330,000 principal amount of Discount Notes to Tertius in exchange for \$300,000 of gross proceeds. Tertius is an investment firm located in Singapore. Victor Lee, the Company's president and CEO, is a managing director and 50% owner of Tertius.

On December 6, 2016, the Company issued a new \$600,000 original issue discount note to Tertius in exchange for (i) \$200,000 of gross proceeds and (ii) cancellation of the existing outstanding \$330,000 note. The outstanding balance of the note is \$602,000 (including accrued and unpaid interest) with a discount of \$60,000 as of December 31, 2016.

On January 19, 2017, the Company issued 333,333,333 shares of unregistered common stock in a private placement to Tertius Financial Group ("TFG") pursuant to a Securities Purchase Agreement (the "SPA").

Pursuant to the SPA, the Company issued the 333,333,333 shares to TFG in exchange for cancellation of its \$600,000 promissory note (including accrued interest of approximately \$4,340) that was issued by the Company on December 6, 2016. The SPA does not provide any registration rights for the shares issued to TFG.

The new ownership by TFG represents less than 5% of the outstanding shares of common stock of the Company as of June 30, 2017. There are no registered rights.

Tertius is an investment firm located in Singapore. Victor Lee, the Company's President and CEO, is a managing director and 50% owner of Tertius.

Significant Trends, Uncertainties and Challenges

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

- our ability to generate customer acceptance of and demand for our products;
- successful ramping up of commercial production on the equipment installed;
- our products are successfully and timely certified for use in our target markets;
- successful operating of 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 ability to raise sufficient capital to enable us to reach a level of sales sufficient to achieve profitability on terms favorable to us;
- effective management of the planned ramp up of our domestic and international operations;
- our ability to successfully develop and maintain strategic relationships with key partners, including OEMs, system integrators, distributors, retailers and e-commerce companies, who deal directly with end users in our target markets;
- our ability to maintain the listing of our common stock on the OTCBB Market;
- our ability to implement remediation measures to address material weaknesses in control;
- our ability to achieve projected operational performance and cost metrics;
- our ability to enter into commercially viable licensing, joint venture, or other commercial arrangements; and
- availability of raw materials.

Table of Contents

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, 2016.

Recent Accounting Pronouncements

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, 2016. There have been no significant changes to our accounting policies as of June 30, 2017.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The update will establish a comprehensive revenue recognition standard for virtually all industries in GAAP. ASU 2014-09 will change the amount and timing of revenue and cost recognition, implementation, disclosures and documentation. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. ASU 2014-09 is now effective for the Company in fiscal year 2018. The Company is researching whether the adoption of ASU 2014-09 will have a material effect on the Company's consolidated financial statements.

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

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718). ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for interim periods and fiscal years beginning after December 15, 2017, and early application is permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In July 2017, the FASB issued ASU No. 2017-11 Part I, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). ASU 2017-11 Part I changes the classification analysis of certain equity-linked financial instruments with down round features. ASU 2017-11 Part I is effective, for public business entities, for interim periods and fiscal years beginning after December 15, 2018, and early application is permitted. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

Results of Operations

Comparison of the Three Months Ended June 30, 2017 and 2016

Revenues. Our net revenues were \$25,000 for the three months ended June 30, 2016 compared to \$255,000 for the three months ended June 30, 2016. A decrease of \$(230,000). The following factors contributed to the decrease in revenue during the three months ended June 30, 2017:

Net product revenues were approximately \$25,000 for the three months ended June 30, 2017 compared to \$246,000 for the three months ended June 30, 2016, a decrease of \$221,000. The decrease in product sales is largely the result of our sale of the EnerPlex brand of products.

2. The Company did not have any revenues attributable to government research and development contracts during the three months ended June 30, 2017, compared to \$9,000 during the three months ended June 30, 2016.

Table of Contents

Cost of revenues. Our Cost of revenues for the three months ended June 30, 2017 was approximately \$295,000 compared to \$1,273,000 for the three months ended June 30, 2016, a decrease of \$977,000. The decrease is primarily attributed to a decrease in materials and labor costs as a result of a decrease in production as compared to the second quarter in the prior year. Cost of revenues for the second quarter of 2017 is comprised of materials and freight of \$(33,000), direct labor of \$1,000, and overhead of \$327,000. Management believes our factory is currently significantly under-utilized, and a substantial increase in revenue would result in marginal increases to overhead. We are currently pursuing high-value PV markets.

Research, development and manufacturing operations. Research, development and manufacturing operations costs were approximately \$1,241,000 for the three months ended June 30, 2017 compared to \$1,785,000 for the three months ended June 30, 2016, a decrease of \$544,000. Research, development and manufacturing operations costs include costs incurred for product development, pre-production and production activities in our manufacturing facility. Research, development and manufacturing operations costs also include costs related to technology development and governmental contracts. The following factors contributed to the decrease in research, development, and manufacturing operations expenses during the three months ended June 30, 2017:

1. Personnel related expenses decreased \$471,000 as compared to the second quarter of 2016. The decrease in personnel related costs was primarily due to a reduction in headcount.

2. Consulting and contract services decreased by \$10,000 compared to the second quarter of 2016. The decrease in expense as compared to the second quarter of 2016 was primarily attributed to the reduced number of contractors during the quarter ended June 30, 2017.

3. Materials and equipment related expenses decreased \$12,000 compared to the second quarter of 2016. The decrease in expense was primarily due to the reserve against WIP inventory as a result of our focus transition from the consumer electronics market to high-value PV markets.

Inventory impairment costs. Due to the sale of the EnerPlex brand and the re-purposing of our work-in-process inventory, we are unable to estimate the recoverability of all of our work-in process inventory values, resulting in a lower-cost-to-market analysis and reserve for impairment. No adjustment was recorded to inventory impairment costs for the three months ended June 30, 2017.

Selling, general and administrative. Selling, general and administrative expenses were \$1,406,000 for the three months ended June 30, 2017 compared to \$2,957,000 for the three months ended June 30, 2016, a decrease of \$1,551,000. The following factors contributed to the decrease in selling, general, and administrative expenses during the three months ended June 30, 2017:

1. Personnel related costs decreased \$771,000 during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The overall decrease in personnel related costs was primarily due a lower headcount for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016.

2. Marketing and related expenses decreased \$475,000 during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The decrease in Marketing and related expenses is due to reduced marketing, advertising, and promotional activities during the third quarter of 2016 as compared to the first quarter of 2016 which the direct result of moving from the consumer electronics market to higher-value PV markets.

3. Consulting and contract services decreased \$21,000 during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The increase was a result of increased consulting expenses related to our financing efforts.

4.

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

Legal expenses decreased \$146,000 during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The primary reasons for the decrease is due to reductions in both legal expenses related to our patents and general legal expenses related to financing efforts as compared to the quarter ended June 30, 2016.

Bad debt expense decreased \$160,000 during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. During the quarter we recorded payments and settlements against existing reserves which were offset by additional reserves for customers whose accounts were greater than 120 days overdue.

Public company expenses decreased \$89,000 during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The decrease is mostly due to a decrease in public relations expense and a timing difference for our annual meeting, which will be in third quarter 2017 as opposed to second quarter 2016.

Table of Contents

Settlement expenses for the three months ended June 30, 2017 were \$166,000. These expenses consisted of a 7. settlement of \$23,000 related to an alleged Proposition 65 violation and an accrual of \$143,000 for an estimated settlement with a former EnerPlex customer regarding a requested return of product.

Other income / expense, net. Other income / expense was a \$1,468,000 net expense for the three months ended June 30, 2017 compared to a \$4,028,000 net expense for the three months ended June 30, 2016, a decrease of \$2,560,000. The following factors contributed to the decrease in other income/(expense) during the three months ended June 30, 2017:

1. Interest expense increased \$843,000 as compared the first quarter of 2016. The increase is primarily due to an increase of non-cash interest expense amortization of debt discounts related to certain convertible and promissory notes and Series G, J, and J-1 Preferred Stock. offset by a reduction in non-cash interest expense and amortization of debt discount related to certain convertible notes and Series' E, F, H, and I Preferred Stock.

2. Other expense, net increased \$182,000. This increase is primarily attributable to induced conversion costs of \$155,000 on several of the financial instruments.

2. Gains and losses on change in fair value of derivatives and on extinguishment of liabilities, net improved to a \$929,000 gain during the second quarter of 2017 as compared to a \$2,655,000 loss the second quarter of 2016. The change in this non-cash item is attributable to a gain of \$1,932,000 on the change in fair value of our embedded derivative instruments during the three months ended June 30, 2017 and a decrease in the loss from extinguishment of liabilities of \$1,652,000, related to conversions and redemptions of certain convertible notes and preferred stock, for the three months ended June 30, 2017 as compared to the the three months ended June 30, 2016

Net Loss. Our Net Loss was \$4,715,000 for the three months ended June 30, 2017 compared to a Net Loss of \$11,168,000 for the three months ended June 30, 2016, an improvement of \$6,453,000.

The decrease in Net Loss for the three months ended June 30, 2017 can be summarized in variances in significant account activity as follows:

Table of Contents

	Decrease (Increase) to Net Loss For the Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016
Revenues	(230,000)
Cost of Revenue	977,000
Research, development and manufacturing operations	
Materials and Equipment Related Expenses	12,000
Personnel Related Expenses	471,000
Consulting and Contract Services	10,000
Facility Related Expenses	23,000
Other Miscellaneous Costs	(14,000)
Inventory impairment costs	—
Selling, general and administrative expenses	
Personnel Related Expenses	771,000
Marketing Related Expenses	475,000
Legal Expenses	146,000
Public Company Costs	89,000
Consulting and Contract Services	21,000
Bad debt expense	160,000
Other Miscellaneous Costs	55,000
Depreciation and Amortization Expense	1,051,000
Other Income / (Expense)	
Interest Expense	(843,000)
Other Income/Expense	(182,000)
Non-Cash Change in Fair Value of Derivatives and Gain/Loss on Extinguishment of Liabilities, net	3,584,000
Decrease (Increase) to Net Loss	\$ 6,576,000

Comparison of the Six Months Ended June 30, 2017 and 2016

Revenues. Our net revenues were \$306,000 for the six months ended June 30, 2017 compared to \$966,000 for the six months ended June 30, 2016. A decrease of \$(660,000). The following factors contributed to the decrease in revenue during the three months ended June 30, 2017:

1. Net product revenues were approximately \$306,000 for the six months ended June 30, 2017 compared to \$933,000 for the six months ended June 30, 2016, a decrease of \$627,000. The decrease in product sales is largely the result of our sale of the Enerplex brand of products.

2. The Company did not have any revenues attributable to government research and development contracts during the six months ended June 30, 2017, compared to \$32,000 during the six months ended June 30, 2016.

Cost of revenues. Our Cost of revenues for the six months ended June 30, 2017 was \$1,788,000 compared to \$3,437,000 for the six months ended June 30, 2016, a decrease of \$1,649,000. The decrease is primarily attributed to a

decrease in materials and labor costs as a result of a decrease in production as compared to the six months ended June 30, 2016. Cost of revenues for the six months ended June 30, 2017 is comprised of materials and freight of \$714,000, direct labor of \$3,000, and overhead of \$1,071,000. Management believes our factory is currently significantly under-utilized, and a substantial increase in revenue would result in marginal increases to overhead. We are currently pursuing high-value PV markets.

Table of Contents

Research, development and manufacturing operations. Research, development and manufacturing operations costs were \$2,518,000 for the six months ended June 30, 2017 compared to \$3,472,000 for the six months ended June 30, 2016, a decrease of \$954,000. Research, development and manufacturing operations costs include costs incurred for product development, pre-production and production activities in our manufacturing facility. Research, development and manufacturing operations costs also include costs related to technology development and governmental contracts. The following factors contributed to the decrease in research, development, and manufacturing operations expenses during the six months ended June 30, 2017:

1. Personnel related expenses decreased \$809,000 as compared to the six months ended June 30, 2016. The decrease in personnel related costs was primarily due to a reduction in headcount.

2. Consulting and contract services decreased by \$20,000 compared to the six months ended June 30, 2016. The decrease in expense as compared to the six months ended was primarily attributed to the reduced number of contractors during the six months ended June 30, 2017.

3. Materials and equipment related expenses decreased \$58,000 compared to the six months ended June 30, 2016. The decrease in expense was primarily due to the reserve against WIP inventory as a result of our focus transition from the consumer electronics market to high-value PV markets.

4. Facility related costs decreased \$23,000 compared to the six months ended June 30, 2016. This reduction was also due, primarily, to a reduction in headcount.

Inventory impairment costs. Due to the sale of the EnerPlex brand and the re-purposing of our work-in-process inventory, we are unable to estimate the recoverability of all of our work-in process inventory values, resulting in a lower-cost-to-market analysis and reserve for impairment. An expense of approximately \$364,000 was recorded to inventory impairment costs for the six months ended June 30, 2017.

Selling, general and administrative. Selling, general and administrative expenses were \$3,170,000 for the six months ended June 30, 2017 compared to \$5,944,000 for the six months ended June 30, 2016, a decrease of \$2,774,000. The following factors contributed to the decrease in selling, general, and administrative expenses during the six months ended June 30, 2017:

1. Personnel related costs decreased \$1,252,000 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The overall decrease in personnel related costs was primarily due a lower headcount for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016.

2. Marketing and related expenses decreased \$1,157,000 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The decrease in Marketing and related expenses is due to reduced marketing, advertising, and promotional activities during the six months ended as compared to the six months ended June 30, 2016 which the direct result of moving from the consumer electronics market to higher-value PV markets.

3. Consulting and contract services increased \$107,000 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The increase was a result of increased consulting expenses related to our financing efforts.

4. Legal expenses decreased \$316,000 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The primary reasons for the decrease is due to reductions in both legal expenses related to our patents and general legal expenses related to financing efforts as compared to the six months ended June 30, 2016.

5.

Bad debt expense decreased \$173,000 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. During the six months ended June 30, 2017, we recorded payments and settlements against existing reserves which were offset by additional reserves for customers whose accounts were greater than 120 days overdue.

Public company expenses decreased \$96,000 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The decrease is mostly due to a decrease in public relations expense and a timing difference for our annual meeting, which will be in third quarter 2017 as opposed to second quarter 2016.

7. Settlement expenses for the six months ended June 30, 2017 were \$166,000. These expenses consisted of a settlement of \$23,000 related to an alleged Proposition 65 violation and an accrual of \$143,000 for an estimated settlement with a former EnerPlex customer regarding a requested return of product.

Table of Contents

Other income / expense, net. Other income / expense was a \$2,058,000 net income for the six months ended June 30, 2017 compared to a \$7,049,000 net expense for the six months ended June 30, 2016, a decrease of \$4,991,000. The following factors contributed to the decrease in other income/expense during the six months ended June 30, 2017:

1. Interest expense increased \$586,000 as compared the six months ended June 30, 2016 . The increase is primarily due to an increase of non-cash interest expense and amortization of debt discounts related to certain convertible and promissory notes and Series G, J, and J-1 Preferred Stock offset by a reduction in non-cash interest expense and amortization of debt discount related to certain convertible notes and Series' E, F, H, and I Preferred Stock.

2. Other income, net increased \$547,000. This increase is comprised of a \$1,215,000 increase in gain on sale of assets after the transfer of the EnerPlex IP, offset by induced conversion costs of \$636,000 on several of the financial instruments.

Gains and losses on change in fair value of derivatives and on extinguishment of liabilities, net was a gain of \$1,602,000 for the six months ended June 30, 2017 an increase of \$5,030,000 compared to the net loss of \$3,428,000 for the six months ended June 30, 2016. The change in this non-cash item is the result of an increase of \$5,223,000 in the gain on change in the fair value of our embedded derivative instruments during the six months ended June 30, 2017 compared to the six months ended June 30, 2016, and an decrease of \$193,000 on loss on extinguishment of liabilities related to conversions of certain convertible notes and preferred stock in the same comparative periods.

Net Loss. Our Net Loss was \$10,294,000 for the six months ended June 30, 2017 compared to a Net Loss of \$21,693,000 for the six months ended June 30, 2016, a decrease of \$11,400,000.

The decrease in Net Loss for the six months ended June 30, 2017 can be summarized in variances in significant account activity as follows:

	Decrease (Increase) to Net Loss For the Six Months Ended June 30, 2017 Compared to the Six Months Ended June 30, 2016
Revenues	(660,000)
Cost of Revenue	1,649,000
Research, development and manufacturing operations	
Materials and Equipment Related Expenses	58,000
Personnel Related Expenses	809,000
Consulting and Contract Services	20,000
Facility Related Expenses	23,000
Other Miscellaneous Costs	2,000
Inventory impairment costs	(364,000)
Selling, general and administrative expenses	
Personnel Related Expenses	1,252,000
Marketing Related Expenses	1,157,000
Legal Expenses	316,000
Public Company Costs	96,000
Bad Debt Expense	173,000

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

Consulting and Contract Services	(107,000)
Other Miscellaneous Costs	52,000	
Depreciation and Amortization Expense	2,056,000	
Other Income / (Expense)		
Interest Expense	(586,000)
Other Income/Expense	547,000	
Non-Cash Change in Fair Value of Derivatives and Gain/Loss on Extinguishment of Liabilities, net	5,030,000	
Decrease (Increase) to Net Loss	\$ 11,523,000	

38

Table of Contents

Liquidity and Capital Resources

As of June 30, 2017, we had approximately \$233 thousand in cash and cash equivalents.

During the six months ended June 30, 2017 and the year ended December 31, 2016, we entered into multiple financing agreements to fund operations. Further discussion of these transactions can be found in Notes 8 through 19 of the financial statements presented as of, and for the six months ended, June 30, 2017, and in notes 9 through 20 of the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

We have continued PV 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 it has fully implemented its new specialty PV strategy. During the six months ended June 30, 2017, we used \$6.3 million in cash for operations. Our primary significant long term cash obligation consists of a note payable of \$5.7 million to a financial institution secured by a mortgage on its headquarters and manufacturing building in Thornton, Colorado. Total payments of \$0.4 million, including principal and interest, will come due in the remainder of 2017. We also owe \$50,000 as of June 30, 2017 related to a litigation settlement reached in April 2014, which is being paid in equal installments over 40 months which began in April 2014.

Additional projected product revenues are not anticipated to result in a positive cash flow position for the year 2017 overall and, as of June 30, 2017, we have negative working capital. As such, cash liquidity sufficient for the year ending December 31, 2017 will require additional financing. Subsequent to June 30, 2017, we completed certain other financing transactions. See Note 24. Subsequent Events, for further information on these transactions.

We continue to accelerate sales and marketing efforts related to its certain consumer products, military solar products and specialty PV application strategies through expansion of our sales and distribution channels. We have begun activities related to securing additional financing through strategic or financial investors, but there is no assurance 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. As a result of our recurring losses from operations, and the need for additional financing to fund our operating and capital requirements, there is uncertainty regarding our ability to maintain liquidity sufficient to operate our business effectively, which raises substantial doubt as to our ability to continue as a going concern.

Statements of Cash Flows Comparison of the Six Months Ended June 30, 2017 and 2016

For the six months ended June 30, 2017, our cash used in operations was \$6.3 million compared to \$10.6 million for the six months ended June 30, 2016, a decrease of \$4.3 million. The decrease is primarily due to the reduction of headcount and production, coupled with the transition out of certain consumer electronics markets and the sale of the EnerPlex brand. For the six months ended June 30, 2017, our cash provided by investing activities was \$124.7 thousand as compared to our cash used in operations of \$117.0 thousand, an increase of \$241.7 thousand. This increase is the result of investing in intellectual property ("IP") during the first quarter of 2016 and the sales of the EnerPlex brand IP during the first quarter of 2017. During the six months ended June 30, 2017, negative operating cash flows of \$6.3 million were funded through \$6.3 million of funding received from promissory notes, and the use of cash customer receivables.

Contractual Obligations

The following table presents our contractual obligations as of June 30, 2017. 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.

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	\$8,049	\$694	\$ 2,081	\$ 2,139	\$ 3,135
Litigation Settlement	50	50	—	—	—
Purchase obligations	519	519	—	—	—
Total	\$8,618	\$1,263	\$ 2,081	\$ 2,139	\$ 3,135

Table of Contents

Off Balance Sheet Transactions

As of June 30, 2017 and December 31, 2016, 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 June 30, 2017, 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

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 interim Principal 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 June 30, 2017. Based on this evaluation, our Chief Executive Officer and interim Principal Financial Officer concluded that as of June 30, 2017, our disclosure controls and procedures were not effective.

Description of Material Weakness identified in 2016 and 2017

Based on our assessment and the criteria used, management concluded that our internal control over financial reporting, as of December 31, 2016 and June 30, 2017, was not effective due to the material weaknesses described as follows:

Table of Contents

The Company was understaffed and did not have sufficiently trained resources with the technical expertise to research and account for the Company's complex capitalization and multiple complex capital raising and equity transactions. This deficiency arose primarily from staff turnover including the Company's failure to more quickly replace its Director of Financial Planning and Reporting, who left the Company for a new position in November, 2016.

As a consequence, the Company did not have effective process level control activities over the following:

Accounting for the Company's convertible debt and preferred stock transactions was lacking for the preparation of the December 31, 2016 financial statements. Many of the special accounting issues specific to debt and equity financing have become increasingly complex and time-consuming, and require extensive expertise to ensure that the accounting and reporting are accurate and in accordance with applicable standards. Given the numerous complex convertible equity financing transactions engaged in by the Company during 2016, the relevant accounting standards require the calculation, monitoring, recalculation and "marking to market" of a wide variety of derivative securities instruments that are deemed to arise from such financing transactions. These complex derivatives calculations are used in order to calculate the intrinsic value of the financial instruments and affect the short term embedded derivative liabilities line item on the Company's balance sheet and in the change in fair value of derivatives and gain/loss on extinguishment of liabilities line item on the Company's consolidated statement of operations. As the calculations in question relate to non-cash transactions, there was no impact on the Company's cash, current assets, revenues, operating results, or cash flows. The control deficiencies described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis.

The control deficiencies described above resulted in material misstatements in the preliminary consolidated financial statements that were corrected prior to the issuance of the consolidated financial statements as of and for the fiscal year ended December 31, 2016 and management does not believe enough time has passed to determine the effectiveness of our remediation plan.

Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting

The Company has executed the following steps in 2017 to remediate the aforementioned material weaknesses in its internal control over financial reporting:

In March 2017, the Company hired a Director of Financial Planning and Reporting with the technical expertise to research and account for the Company's complex capital raising and financial transactions. In addition, the Company will be evaluating its personnel needs and other resources to ensure appropriate staffing and enhance its research and technical accounting knowledge base.

The Company will design and implement additional procedures in order to assure that the Director, Financial Planning and Reporting and other audit/accounting personnel are more involved with the Company's financing activities to monitor and earlier identify accounting issues that may be raised by the Company's ongoing financing activities.

Changes in Internal Control Over Financial Reporting

Except for the identification of the material weaknesses noted above, there were no other changes in internal control over financial reporting during the six months ended June 30, 2017 that have materially affected, or are 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 & Company, Inc. ("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 it is entitled to receive an investment banking fee of \$3.0 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. In addition, should it prevail at trial, Jefferies would be able to claim an award for attorney's fees and prejudgment interest in the approximate amount of \$1.2 million. On April 16, 2014, the parties settled the lawsuit where the Company agreed to pay Jefferies a total of \$2.0 million in equal installments over 40 months. The Company has paid \$150,000 during the six months ended June 30, 2017. 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. The Company accrued \$1.7 million, the net present value of the \$2.0 million settlement, as of December 31, 2013. As of June 30, 2017, \$50,000 was recorded as Accrued litigation settlement, current portion, in the Balance Sheets.

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 April 17, 2017, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K filed on April 17, 2017 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.

Item 6. Exhibits

A list of exhibits is found on page 40 of this report.

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 14th day of August, 2017.

ASCENT SOLAR TECHNOLOGIES, INC.

By: /S/ VICTOR LEE

Lee Kong Hian (aka Victor Lee)

President and Chief Executive Officer

(Principal Executive Officer, Principal Financial Officer, Chief Accounting Officer, and Authorized Signatory)

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
EXHIBIT INDEX

10.1	Note dated April 6, 2017 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed April 7, 2017)
10.2	Note dated April 21, 2017 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed April 24, 2017)
10.3	Forbearance and Settlement Agreement dated May 5, 2017 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed May 10, 2017)
10.4	Note dated May 8, 2017 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed May 10, 2017)
10.5	Form of Warrant (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed July 27, 2017)
10.6	Form of Warrant (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed August 11, 2017)
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.