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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2018

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 000-12885

alpha-En Corporation

(Exact name of registrant as specified in its charter)

Delaware

95-4622429

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

**28 Wells Avenue, 2nd Floor, Yonkers, New York 10701
(914) 418-2000**

(Address and telephone number of principal executive offices)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 during the preceding 12 months (or 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, a small reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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 accountings standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of May 14, 2018, there were 32,645,756 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ALPHA-EN CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except share and per share data)

	March 31, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 876	\$ 562
Prepaid expenses	500	-
Restricted cash	15	15
Total current assets	1,391	577
Long-term deposit	35	35
Property and equipment, net	482	501
Total assets	\$ 1,908	\$ 1,113
LIABILITIES AND STOCKHOLDERS' DEFICIT AND TEMPORARY EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 960	\$ 1,103
Advances from related parties	36	308
Total current liabilities	996	1,411
Total liabilities	996	1,411
Preferred stock par value \$0.01: 5,000,000 shares authorized; 3,962 shares and 1,935 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively; aggregate liquidation preference of \$3,962 and \$1,935 as of March 31, 2018 and December 31, 2017, respectively	3,962	1,935
COMMITMENTS AND CONTINGENCIES		
Stockholders' deficit:		
Class B common stock no par value: 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock par value \$0.01: 57,000,000 shares authorized; 33,360,506 shares and 33,350,506 shares issued and 32,645,756 shares and 32,635,756 shares outstanding at March 31, 2018 and December 31, 2017, respectively	334	334
Additional paid-in capital	18,326	18,482
Treasury stock at cost: 714,750 shares as of March 31, 2018 and December 31, 2017	(69)	(69)
Accumulated deficit	(20,908)	(20,276)
Stockholders' deficit attributed to alpha-En Corporation stockholders	(2,317)	(1,529)
Non-controlling interest	(733)	(704)

Total stockholders' deficit	<u>(3,050)</u>	<u>(2,233)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT AND TEMPORARY EQUITY	\$ <u>1,908</u>	\$ <u>1,113</u>

See notes to condensed consolidated financial statements.

ALPHA-EN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(Unaudited)

	For the Three Months Ended	
	March 31,	
	<u>2018</u>	<u>2017</u>
Operating expenses		
General and administrative	\$ 794	\$ 920
Legal and professional fees	141	170
Research and development (includes stock based compensation of \$(444) and \$483 for the three months ended March 31, 2018 and 2017, respectively. See Note 7)	(274)	521
Total operating expenses	<u>661</u>	<u>1,611</u>
Net loss	(661)	(1,611)
Less: net loss attributable to non-controlling interest	(29)	(91)
Net loss attributable to controlling interest	(632)	(1,520)
Less: Dividends accrued on preferred stock	(77)	-
Less: Deemed dividend on Series A preferred stock	(687)	-
Less: Deemed dividend - beneficial conversion feature on preferred stock	(956)	-
Net loss attributable to alpha-En Corporation common stockholders	<u>\$ (2,352)</u>	<u>\$ (1,520)</u>
Net loss per share attributable to alpha-En Corporation common stockholders		
Basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.05)</u>
Weighted average shares outstanding:		
Basic and diluted	<u>33,358,062</u>	<u>33,282,089</u>

See notes to condensed consolidated financial statements.

ALPHA-EN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(in thousands, except share and per share data)
(Unaudited)

	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury Stock</u>		<u>Accumulated</u>	<u>Noncontrolling</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Interest</u>	<u>Stockholders'</u>
			<u>Capital</u>					<u>Deficit</u>
Balance at December 31, 2017	33,350,506	\$ 334	\$ 18,482	714,750	\$ (69)	\$ (20,276)	\$ (704)	(2,233)
Stock based compensation (options)	-	-	(81)	-	-	-	-	(81)
Options exercised for cash	10,000	-	2	-	-	-	-	2
Issuance of warrants to purchase common stock associated with preferred stock offering	-	-	687	-	-	-	-	687
Deemed dividend on Series A preferred stock	-	-	(687)	-	-	-	-	(687)
Beneficial conversion feature of Series A preferred stock	-	-	956	-	-	-	-	956
Deemed dividends related to beneficial conversion feature of Series A preferred stock	-	-	(956)	-	-	-	-	(956)
Accrued Series A dividends	-	-	(77)	-	-	-	-	(77)
Net loss	-	-	-	-	-	(632)	(29)	(661)
Balance at March 31, 2018	33,360,506	\$ 334	\$ 18,326	714,750	\$ (69)	\$ (20,908)	\$ (733)	(3,050)

See notes to condensed consolidated financial statements.

ALPHA-EN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities		
Net loss	\$ (661)	\$ (1,611)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	24	5
Stock-based compensation	(81)	877
Warrant issued for services	-	248
Changes in operating assets and liabilities of business, net of acquisitions:		
Prepaid expenses	(500)	22
Accounts payable and accrued expenses	(143)	49
Net cash used in operating activities	(1,361)	(410)
Cash flows from investing activities		
Purchase of fixed assets	(5)	-
Net cash used in investing activities	(5)	-
Cash flows from financing activities		
Proceeds from issuance of preferred stock and warrants	1,700	-
Options exercised for cash	2	-
Advances from related parties	-	100
Repayments of advances from related parties	(22)	-
Net cash provided by financing activities	1,680	100
Net increase (decrease) in cash	314	(310)
Cash at beginning of period	562	442
Cash at end of period	\$ 876	\$ 132
Non cash financing and investing activities:		
Beneficial conversion feature of Series A preferred stock	\$ 956	\$ -
Deemed dividends related to beneficial conversion feature of Series A preferred stock	\$ (956)	\$ -
Issuance of warrants in preferred stock offering	\$ 687	\$ -
Deemed dividend on Series A preferred stock	\$ (687)	\$ -
Accrued Series A dividends	\$ (77)	\$ -
Conversion of advances from related parties to preferred stock	\$ 250	\$ -

See notes to condensed consolidated financial statements.

ALPHA-EN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Organization and Operations

alpha-En Corporation (together with its subsidiaries, the “Company”) was incorporated in Delaware on March 7, 1997.

Since 2008, the focus of the Company’s business has been developing new technologies for manufacturing highly pure lithium metal, a raw material for use in lightweight, high energy density batteries, in an environmentally friendly manner for commercial purposes. In 2013, the Company invented a new process for the production of highly pure lithium metal and associated products at room temperature. The Company subsequently broadened its focus to develop products and processes derived from the Company’s new core proprietary technology, including battery components and compounds of lithium.

Formation of Majority-Owned Subsidiary

In September 2014, alpha-En Corporation formed Clean Lithium Corporation (“CLC”) under the laws of New York State as a wholly owned subsidiary with a nominal share capital of \$100,000.

Following the sale of CLC’s shares, the ownership is as follows:

<u>Stockholder</u>	<u>Shares</u>	<u>Percentage</u>
alpha-En Corporation	9,095,000	90.95%
Non-controlling interests	905,000	9.05%
Total:	10,000,000	100.00%

Amended and Restated Certificate of Incorporation

On March 29, 2017 the Board of Directors of the Company and a subset of the Company’s stockholders representing in excess of 75% of the Company’s currently issued and outstanding voting stock approved of the amendment and restatement of the Company’s Certificate of Incorporation (the “Restated Certificate”) to make certain corporate governance updates and to increase the authorized capital stock of the Company to 60,000,000 shares, of which 57,000,000 are shares of Common Stock, par value \$0.01 per share, 1,000,000 are shares of Class B Common Stock, par value \$0.01 per share and 2,000,000 are shares of preferred stock, par value \$0.01 per share. The Company filed a definitive information statement on Schedule 14C with the Securities and Exchange Commission on June 1, 2017 describing the changes in the Restated Certificate. The Restated Certificate was filed with the Secretary of State for the State of Delaware and became effective on June 30, 2017. On February 8, 2018 the Company filed with the Secretary of State of the State of Delaware an amended and restated certificate of incorporation increasing the authorized number of preferred shares designated as series A preferred from 2,000 to 5,000.

Note 2 - Going Concern and Liquidity

The Company’s condensed consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of approximately \$20.9 million at March 31, 2018, a net loss of approximately \$661,000 and approximately \$1.4 million net cash used in operating activities for the three months ended March 31, 2018. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The Company is attempting to further develop the intellectual property associated with its technology; broaden its patent

portfolio; scale up its production of various products; and begin generating revenue; however, the Company's cash position is not sufficient to support its daily operations for the foreseeable future. The ability of the Company to continue as a going concern is dependent upon its ability to raise additional funds by way of a public or private offering and its ability to further develop its technology and generate sufficient revenue. While the Company believes in the viability of its technology and in its ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect.

The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

ALPHA-EN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 3 - Significant and Critical Accounting Policies and Practices

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company's subsidiaries. For consolidated entities where the Company owns less than 100% of the subsidiary, the Company records net loss attributable to non-controlling interests in its condensed consolidated statements of operations equal to the percentage of the economic or ownership interest retained in such entities by the respective non-controlling parties.

The unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and reflect all adjustments (consisting of normal recurring adjustments unless otherwise indicated) which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented.

Certain information in footnote disclosures normally included in the financial statements prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC rules and regulations for interim reporting. The financial results for the periods presented may not be indicative of the full year's results.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed on April 2, 2018.

The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

The Company's consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The Company's significant estimates include, but are not limited to, useful lives assigned to long-lived assets, fair value used in estimating the value of warrants, stock-based compensation, accrued expenses and provisions for income taxes. Due to the uncertainty inherent in such estimates, actual results may differ from these estimates.

Cash

As of March 31, 2018 and December 31, 2017, substantially all of the Company's cash was held by major financial institutions and the balance at certain times may exceed the maximum amount insured by the Federal Deposits Insurance Corporation. However, the Company has not experienced losses on these accounts and management believes that the Company is not exposed to significant risks on such accounts.

Property and Equipment

Lab equipment, leasehold improvements and office equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of each asset, generally three to seven years.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the

business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value. There were no indicators of impairment for long-lived assets during the three months ended March 31, 2018.

Fair Value of Preferred Stock

The fair value of Preferred stock was estimated based upon equivalent common shares that Preferred Stock could have been converted into at the closing price on the purchase date.

ALPHA-EN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Convertible Financial Instruments

The Company bifurcates conversion options from their host instruments and accounts for them as free standing derivative financial instruments if certain criteria are met. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, discounts are recorded for the intrinsic value of conversion options embedded in the instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the instrument. Deemed dividends are also recorded for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

Research and Development

Research and development costs are expensed as incurred. Advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made. Upfront and milestone payments due to third parties that perform research and development services on the Company's behalf will be expensed as services are rendered or when the milestone is achieved.

Research and development costs primarily consist of personnel related expenses, including salaries, benefits, travel, and other related expenses, stock-based compensation, payments made to third parties for license and milestone costs related to in-licensed products and technology, payments made to third party contract research organizations, consultants, the cost of acquiring and manufacturing research trial materials, and costs associated with regulatory filings, laboratory costs and other supplies.

In accordance with ASC 730-10-25-1, *Research and Development*, costs incurred in obtaining technology licenses are charged to research and development expense if the technology licensed has not reached commercial feasibility and has no alternative future use. Certain licenses purchased by the Company require substantial completion of research and development and regulatory and marketing approval efforts in order to reach commercial feasibility and have no alternative future use.

During the quarter ended March 31, 2018, in addition to ongoing efforts at one major research university, the Company entered into additional contracts with a national research lab and another major research university for additional work related to development and scale-up of the Company's processes. The Company also commenced research and development efforts at the Company's Yonkers lab facility. These initiatives resulted in an increase in prepaid expenses of \$0.5 million as of March 31, 2018 and the Company expects to record the benefits from these research initiatives through the 3rd quarter of 2018.

Contingencies

The Company records accruals for contingencies and legal proceedings expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated.

If a loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Stock-Based Compensation

The Company expenses stock-based compensation to employees over the requisite service period based on the estimated grant-date fair value of the awards. For stock-based compensation awards to non-employees, the Company remeasures the fair value of the non-employee awards at each reporting period prior to vesting and finally at the vesting date of the award. Changes in the estimated fair value of these non-employee awards are recognized as compensation expense in the period of change.

The Company estimates the fair value of stock options grants using the Black-Scholes option pricing model and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

ALPHA-EN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Income Taxes

The Company records income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. The Company establishes a valuation allowance if it is more likely than not that the deferred tax assets will not be recovered based on an evaluation of objective verifiable evidence. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit.

Loss Per Share

Basic loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted loss per share excludes the potential impact of common stock options, convertible preferred stock and outstanding common stock purchase warrants because their effect would be anti-dilutive.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at March 31, 2018 and 2017 are as follows:

	As of March 31,	
	2018	2017
Warrants to purchase common stock	5,719,292	3,771,875
Options to purchase common stock	8,474,000	5,030,000
Preferred stock to exchange common stock	2,266,264	-
Total	16,459,556	8,801,875

Non-Controlling Interests

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third parties. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests.

Recent Accounting Pronouncements

In July 2017, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Updates (the “ASU”) 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*, (ASU 2017-11). Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable

noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*, (ASU 2017-09). ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company adopted this ASU on January 1, 2018 and the adoption did not have a material impact on the Company's financial position or results of operations.

ALPHA-EN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted the standard as of January 1, 2018 and adoption did not have a material impact on its condensed consolidated statement of cash flows.

Note 4 - Property and Equipment

The components of property and equipment as of March 31, 2018 and December 31, 2017, at cost are (dollars in thousands):

	Useful Life (Years)	March 31, 2018	December 31, 2017
Lab equipment	3	\$ 173	\$ 173
Office furniture and equipment	3	31	31
Leasehold improvement	7	379	374
Gross property and equipment		583	578
Less: Accumulated depreciation and amortization		(101)	(77)
Property and equipment, net		<u>\$ 482</u>	<u>\$ 501</u>

The Company's depreciation and amortization expense for the three months ended March 31, 2018 and 2017 was \$24,000 and \$5,000, respectively.

Note 5 - Related Party Transactions

Advances from Stockholders

From time to time, stockholders of the Company advances funds to the Company for working capital purposes. Those advances are unsecured, non-interest bearing and due on demand.

As of March 31, 2018 and December 31, 2017, the outstanding amounts of the advances from related parties was approximately \$36,000 and \$308,000, respectively. During the three months ended March 31, 2018, the Company repaid \$15,000 in advances to Jerome Feldman and \$7,000 to Steven Fludder and \$250,000 was converted into preferred stock. See Note 6 for more details on advances converted to preferred stock.

Employment Agreement with Chief Executive Officer

On November 11, 2017, the Company appointed Sam Pitroda to serve as the Company's new Chief Executive Officer. Since that time, Mr. Pitroda has served as CEO without an employment agreement. The Company and Mr. Pitroda are in discussions to finalize the terms of the employment agreement, although there can be no assurances that an agreement will

be reached.

ALPHA-EN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 6 - Temporary Equity

The following table summarizes the Company's Series A Preferred Stock activities for the three months ended March 31, 2018 (dollars in thousands):

	Series A Preferred Stock	
	Shares	Amount
Total temporary equity as of December 31, 2017	1,935	\$ 1,935
Sale of Series A preferred stock	1,700	1,700
Conversion of advances into preferred stock	250	250
Beneficial conversion feature of Series A preferred stock	-	(956)
Deemed dividends related to beneficial conversion feature of Series A preferred stock	-	956
Accrued Series A dividends	77	77
Deemed dividend on Series A preferred stock	-	687
Fair Value of common stock warrant issued with Series A preferred stock	-	(687)
Total temporary equity as of March 31, 2018	3,962	\$ 3,962

On February 8, 2018, the Company entered into a preferred stock purchase agreement (“Stock Purchase Agreement”) with several accredited and institutional investors, pursuant to which the Company agreed to issue and sell in a private placement 1,950 shares of Series A Preferred Stock, as well as 975,000 warrants to purchase the Company's common stock, at a purchase price of \$1,000 per share, for total gross proceeds of \$1.95 million (including previous advances from related parties). The warrants have a 5-year term and an exercise price of \$2.00. Steven M. Payne converted \$100,000, Jerome I. Feldman converted \$50,000 and Jim Kilman converted \$100,000 advances into preferred stock. Sam Pitroda through Pitroda Group LLC invested \$500,000 and the Company issued 500 Series A Preferred Stock and 250,000 warrants on the same terms as other accredited and institutional investors.

The Series A Preferred is entitled to accrue cumulative dividends at a rate equal to 10.0% simple interest per annum on the original issue price of \$1,000 per share (the “Original Issue Price”). Accrued dividends will be payable quarterly based on a 365-day year and may be paid in cash or in additional shares of Series A Preferred. Each share of Series A Preferred is convertible into 572 shares of Common Stock, subject to customary increases or decreases for stock splits, stock dividends recapitalizations and the like, and may be converted to Common Stock at any time after issuance at the option of a holder. The Company will have the right, at the Company's option, to redeem all or a portion of the shares of Series A Preferred Stock at any time or times after the one year anniversary of the Issuance Date of such Series A Preferred Stock, at a price per share (the “Redemption Price”) equal to the sum of the following (without duplication): (a) the Original Issue Price, plus (b) any accrued but unpaid Dividends. Upon any liquidation, dissolution or winding up of the Company, liquidation of the Company's assets will be made in the following order of priority: (a) first, payment or provision for payment of debts and other liabilities; (b) second, payment to the holders of Series A Preferred an amount with respect to each share of Series A Preferred equal to the Original Issue Price, plus any accrued but unpaid Dividends thereon; and (c) third, payment to the holders of Common Stock. Except as required by applicable law or as set forth herein, the holders of shares of Series A Preferred Stock will vote together with the holders of shares of Common Stock and not as a separate class. Each share of Series A Preferred Stock will have a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series A Preferred Stock.

The Series A Preferred Stock is being classified as temporary equity because it has redemption features that are outside of the Company's control upon certain triggering events, such as a deemed liquidation event. A “Deemed Liquidation Event” is defined in the Company's Amended and Restated Certificate of Incorporation as a merger that results in a change in control or the sale of substantially all the assets of the Company. In the case of a Deemed Liquidation Event, the assets of

the Company will be paid in order of liquidation preference to the holders of preferred and common stock. Because certain holders of the Series A Preferred Stock constitute a majority of the Company's Board of Directors, a potential Deemed Liquidation Event is considered to be outside the control of the Company along with the call provision that can be exercised in one year, resulting in classification of the Series A Preferred Stock as temporary equity.

The Company has determined that the warrants should be accounted as a component of stockholders' equity. On the issuance date, the Company estimated the fair value of the warrants at \$1.2 million using the Black-Scholes option pricing model using the following primary assumptions: contractual term of 5.0 years, volatility rate of 74.8%, risk-free interest rate of 2.57% and expected dividend rate of 0%. Based on the warrant's relative fair value to the fair value of the Series A Preferred, approximately \$687,000 of the \$1.2 million of aggregate fair value was allocated to the warrants, creating a corresponding preferred stock discount in the same amount.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Due to the reduction of allocated proceeds to Series A Preferred, the effective conversion price was approximately \$1.13 per share creating a beneficial conversion feature of \$956,000 which reduced the carrying value of the Series A Preferred. Since the conversion option of the Series A Preferred was immediately exercisable, the beneficial conversion feature was immediately accreted to preferred dividends, resulting in an increase in the carrying value of the Series A Preferred.

As of March 31, 2018, the dividends accrued and outstanding were \$192,000 and reflected in carrying value of temporary equity.

Note 7 - Stockholders' (Deficit) Equity

Stock Options

The fair value of the Company's common stock was based upon the publicly quoted price on the date that the final approval of the awards was obtained. The Company does not expect to pay dividends in the foreseeable future so therefore the expected dividend yield is 0%. The expected term for stock options granted with service conditions represents the average period the stock options are expected to remain outstanding and is based on the expected term calculated using the approach prescribed by the Securities and Exchange Commission's Staff Accounting Bulletin for "plain vanilla" options. The expected term for stock options granted with performance and/or market conditions represents the period estimated by management by which the performance conditions will be met. The Company obtained the risk-free interest rate from publicly available data published by the Federal Reserve. The Company uses a methodology in estimating its volatility percentage from a computation that was based on a comparison of average volatility rates of similar companies to a computation based on the standard deviation of the Company's own underlying stock price's daily logarithmic returns. The grant date fair value of stock options granted during the three months ended March 31, 2018 and 2017 was \$11,000 and \$611,000, respectively. The fair value of options granted during the three months ended March 31, 2018 and 2017 were estimated using the following weighted-average assumptions:

	For the Three Months Ended March 31,	
	2018	2017
Exercise price	\$ 1.90	\$ 1.10
Expected stock price volatility	79%	79%
Risk-free rate of interest	1.60%	1.49%
Term (years)	3.6	3.0

A summary of option activity under the Company's employee stock option plan for the three months ended March 31, 2018 is presented below:

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2017	5,669,000	\$ 1.48	\$ 7,793,000	4.3
Employee options granted	10,000	1.90	-	5.3
Expired	(250,000)	0.10	443,000	-
Outstanding as of March 31, 2018	<u>5,429,000</u>	<u>\$ 1.54</u>	<u>\$ 1,870,000</u>	<u>4.2</u>
Options vested and expected to vest as of March 31, 2018	5,429,000	\$ 1.54	\$ 1,870,000	4.2
Options vested and exercisable as of March 31, 2018	2,349,000	\$ 1.30	\$ 1,296,230	4.1

Estimated future stock-based compensation expense relating to unvested employee stock options is approximately \$1.6 million as of March 31, 2018 and will be amortized over 2.5 years.

A summary of activity of options granted to non-employees for the three months ended March 31, 2018 is presented below:

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2017	3,205,000	\$ 0.40	\$ 7,847,000	2.4
Exercised	(10,000)	\$ 0.20	\$ 22,000	-
Expired	(150,000)	0.10	266,000	-
Outstanding as of March 31, 2018	<u>3,045,000</u>	<u>\$ 0.42</u>	<u>\$ 4,109,000</u>	<u>2.3</u>
Options vested and expected to vest as of March 31, 2018	3,045,000	\$ 0.42	\$ 4,109,000	2.3
Options vested and exercisable as of March 31, 2018	2,220,000	\$ 0.40	\$ 3,024,000	2.2

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Warrants

A summary of the status of the Company's outstanding warrants as of March 31, 2018 and changes during the three months then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2017	4,744,292	\$ 1.24	\$ 7,884,000	3.6
Issued	975,000	2.00	-	4.9
Outstanding as of March 31, 2018	5,719,292	\$ 1.37	\$ 3,491,000	3.6
Warrants exercisable as of March 31, 2018	5,469,292	\$ 1.38	\$ 3,353,000	3.5

Stock-based Compensation Expense

Stock-based compensation expense for the three months ended March 31, 2018 and 2017 was comprised of the following (dollars in thousands):

	For the Three Months Ended March 31,	
	2018	2017
Employee restricted stock awards	\$ -	\$ -
Employee stock option awards	493	237
Non-employee option awards	(574)	640
Total compensation expense	\$ (81)	\$ 877

Note 8 - Subsequent Events

The Company is in advanced discussion with an investor group regarding a potential \$1,000,000 common stock investment in the Company for the purpose of funding research and development. The Company received \$1,000,000 in funds from the investor group in April 2018, however, the closing of this investment is contingent upon a number of factors, including, among other things, completion the proposed merger of the Company's subsidiary, CLC, discussed below. Because of these contingencies, there can be no assurances that this common stock investment will close.

The Company is currently engaged in discussions with the minority stockholders of its subsidiary, CLC, regarding purchase by the Company of stockholders equity interests in CLC, such that CLC would become a wholly-owned subsidiary of the Company, after which CLC would be merged with and into the Company, with the Company surviving. There can be no assurances that agreement with the minority shareholders of CLC will be reached and that the proposed merger of CLC with and into the Company will be completed.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Since 2008, we have been focused exclusively on efforts to develop a business centered around the commercial manufacturing of highly pure lithium metal, a raw material for use in lightweight, high energy density batteries, in an environmentally friendly manner. Additionally, we have broadened our focus to include lithium products and processes derived from our core technology. This includes battery components such as protected anodes and compounds of lithium, among other things.

Lithium is the lightest metal with the highest electrochemical potential, making it a clear choice for batteries. There is a substantial existing market for lithium metal in primary (non-rechargeable) batteries, and rechargeable batteries, including many future opportunities which exist for next-generation batteries under development.

We have no revenues and our business is in the development stage. Our operations primarily include activities related to developing our technology and maintaining our public company status.

During the quarter ended March 31, 2018, in addition to ongoing efforts at one major research university, we entered into additional contracts with a national research lab and another major research university for additional work related to development and scale-up of our processes. We also commenced research and development efforts at our Yonkers lab facility.

Results of Operations

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

General and administrative expenses were approximately \$794,000 for the three months ended March 31, 2018 as compared to approximately \$920,000 for the three months ended March 31, 2017. The decrease in general and administrative expenses mostly relates to decreased stock-based compensation and warrants issued for services which were approximately \$363,000 and \$643,000 for the three months ended March 31, 2018 and 2017, respectively.

Legal and professional fees were approximately \$141,000 for the three months ended March 31, 2018 as compared to approximately \$170,000 for the three months ended March 31, 2017. The decrease in legal and professional fees was due to a decrease in accounting services and audit fees incurred in relation to corporate matters for the three months ended March 31, 2018.

Research and development expenses resulted in income of \$274,000 for the three months ended March 31, 2018 as compared to expense of approximately \$521,000 for the three months ended March 31, 2017. The decrease in research and development expenses mostly relates to fair value change of non-employee stock-based compensation which resulted in income of \$444,000 and expense of \$483,000 for the three months ended March 31, 2018 and 2017, respectively.

Net loss attributable to non-controlling interest was approximately \$29,000 for the three months ended March 31, 2018 as compared to net loss attributable to non-controlling interest of approximately \$91,000 for the three months ended March 31, 2017.

Going Concern

The Company's condensed consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of approximately \$20.9 million at March 31, 2018, a net loss of approximately \$661,000 and approximately \$1.4 million net cash used in operating activities for the three months ended March 31, 2018. These factors raise substantial doubt about

the Company's ability to continue as a going concern.

The Company is attempting to further develop the intellectual property associated with its technology; broaden its patent portfolio; scale up production of various products; and begin generating revenue; however, the Company's cash position is not sufficient to support its daily operations. The ability of the Company to continue as a going concern is dependent upon its ability to raise additional funds by way of a public or private offering and its ability to further develop its technology and generate sufficient revenue. While the Company believes in the viability of its technology and in its ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect.

The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Liquidity and Capital Resources

Restricted cash and long-term deposits at March 31, 2018 includes \$50,000 of cash deposited with Chase Bank (“Chase”) as collateral for an irrevocable standby letter of credit associated our Yonkers office lease.

As of March 31, 2018, we had an accumulated deficit of approximately \$20.9 million and working capital of approximately \$395,000.

On February 8, 2018, we entered into a preferred stock purchase agreement (“Stock Purchase Agreement”) with several accredited and institutional investors, pursuant to which we agreed to issue and sell in a private placement 1,950 shares of Series A Preferred Stock, as well as 975,000 warrants to purchase the Company’s common stock, at a purchase price of \$1,000 per share, for total gross proceeds of \$1.95 million (including previous advances from related parties). The warrants have a 5-year term and an exercise price of \$2.00.

We have limited funds to continue our operating activities. Future operating activities are expected to be funded by loans and investments from officers, directors and stockholders, until we begin to generate cash flows from operations.

The table below sets forth selected cash flow data for the periods presented (dollars in thousands):

	Three Months Ended	
	March 31,	
	2018	2017
Net cash used in operating activities	\$ (1,361)	\$ (410)
Net cash used in investing activities	(5)	-
Net cash provided by financing activities	1,680	100
Net increase (decrease) in cash and cash equivalents	<u>\$ 314</u>	<u>\$ (310)</u>

The success of our business plan during the next 12 months and beyond is contingent upon us generating sufficient revenue to cover our costs of operations, or upon us obtaining additional financing. We believe that our current capital resources are not sufficient to support our operations for the next 12 months. We intend to finance our operations through debt and/or equity financings. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all. We intend to use all commercially-reasonable efforts at our disposal to raise sufficient capital to run our operations on a go forward basis.

Off Balance Sheet Arrangements

As of the date of this report, we have not entered into any transactions with unconsolidated entities in which we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.

Commitments

On March 22, 2016, the Company entered into a lease (the “Lease”) with Hudson View Building #3, LLC (“the “Landlord”), for office and laboratory space located in Yonkers, New York (the “Leased Premise”). The Leased Premise consists of approximately 8,000 square feet. The Lease has a term of 87 months from the lease commencement date, which is the date upon which the Landlord has substantially completed certain interior leasehold improvements to the Leased Premise. The annual rent of the first year of the lease is approximately \$208,000, increasing by 1.5% on each anniversary of the lease commencement date. In the event of a termination of the lease following a default by the Company, the Company will be obligated to pay the sum of the rent payable for the remainder of the lease term. The Company moved into the office on May 30, 2017. The Company began paying the monthly rent during the quarter ended September 30, 2017.

In connection with this lease, the Company obtained an Irrevocable Standby Letter of Credit (the “Letter of Credit”) from Chase Bank for a sum not exceeding \$150,000. The Company has deposited this amount with Chase Bank as collateral for the Letter of Credit and recorded the amount as restricted cash and long-term deposits in the consolidated balance sheets. During the year ended December 31, 2017, \$100,000 restricted cash was released to the Company.

As of March 31, 2018, contractual minimal lease payments are as follows (in thousands):

	2018	\$	157
	2019		212
	2020		215
	2021		219
	2022		222
	Thereafter		377
	Total	\$	<u>1,402</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2018. This evaluation was carried out under the supervision and with the participation of our Principal Executive Officer, and our Principal Financial and Accounting Officer. Based upon that evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer concluded that, as of March 31, 2018, our disclosure controls and procedures were ineffective as of the end of the period covered, due to the following material weaknesses which are indicative of many small companies with limited staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both United States generally accepted accounting principles and Securities and Exchange Commission guidelines. Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer, and Principal Financial and Accounting Officer, to allow timely decisions regarding required disclosure.

During 2017, we, together with our independent registered public accounting firm, identified material weaknesses in our internal control over financial reporting, as described below. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses in internal control over financial reporting resulted from operating deficiencies which are listed below. To remediate the material weaknesses, we are initiating controls and procedures to formally monitor new transactions and events that change our business so that we consider material impacts to our financial statements, including proper recording and disclosure of those transactions or events as well as documenting the related significant estimates and judgments made by management.

- There are insufficient written policies and procedures to ensure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements;
- Insufficient segregation of duties, oversight of work performed and lack of compensating controls in the Company's finance and accounting functions due to limited personnel;

- Inadequate controls surrounding related party transactions, to ensure that all material transactions and developments impacting the financial statements are reflected and properly recorded;
- Management has not performed a proper evaluation of 1) the disclosure controls and procedures and 2) internal control over financial reporting; and
- Inadequate controls over Company arrangements and contract management.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the three months ended March 31, 2018 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently involved in any litigation that we believe could have a material adverse effect on our financial condition and results of operations or cash flows.

Item 1A. Risk Factors.

There are no material changes to the risk factors in our most recent Annual Report on Form 10-K.

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

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits

Exhibit

Number Description of Exhibit

31.1	<u>Certification of Principal Executive Officer and Principal Financial and Accounting Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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.

alpha-En Corporation

Date: May 16, 2018

By: /s/ Jerome I. Feldman

Jerome I. Feldman
Executive Chairman and Treasurer

Date: May 16, 2018

By: /s/ Sam Pitroda

Sam Pitroda
Chief Executive Officer
(principal executive officer)

Date: May 16, 2018

By: /s/ Nathan J. Wasserman

Nathan J. Wasserman
Chief Financial Officer
(principal financial and accounting officer)

