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**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: September 30, 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, 2<sup>nd</sup> 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit 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   
Non-accelerated filer

Accelerated filer   
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 November 13, 2018, there were 39,044,589 shares of common stock outstanding.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

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

	September 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,064	\$ 562
Restricted cash	15	15
Total current assets	1,079	577
Long-term deposit	35	35
Property and equipment, net	665	501
<b>Total assets</b>	<b>\$ 1,779</b>	<b>\$ 1,113</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT AND TEMPORARY EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 617	\$ 1,103
Advances from related parties	36	308
Current portion of deferred rent	9	-
Total current liabilities	662	1,411
Deferred rent	109	-
<b>Total liabilities</b>	<b>771</b>	<b>1,411</b>
Preferred stock par value \$0.01: 5,000,000 shares authorized; 4,105 shares and 1,935 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively; aggregate liquidation preference of \$4,105 and \$1,935 as of September 30, 2018 and December 31, 2017, respectively	4,105	1,935
<b>COMMITMENTS AND CONTINGENCIES</b>		
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; 39,044,589 shares and 33,350,506 shares issued and 38,329,839 shares and 32,635,756 shares outstanding at September 30, 2018 and December 31, 2017, respectively	390	334
Additional paid-in capital	21,301	18,482
Treasury stock at cost: 714,750 shares as of September 30, 2018 and December 31, 2017	(69)	(69)
Accumulated deficit	(24,719)	(20,276)

Stockholders' deficit attributed to alpha-En Corporation stockholders	(3,097)	(1,529)
Non-controlling interest	-	(704)
<b>Total stockholders' deficit</b>	<b><u>(3,097)</u></b>	<b><u>(2,233)</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT AND TEMPORARY EQUITY</b>	<b><u>\$ 1,779</u></b>	<b><u>\$ 1,113</u></b>

See notes to condensed financial statements.

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

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Operating expenses</b>				
General and administrative	\$ 1,213	\$ 1,751	\$ 3,396	\$ 3,188
Legal and professional fees	103	135	364	390
Research and development (includes stock based compensation of \$(28) and \$(245) for the three and nine months ended September 30, 2018, and \$243 and \$783 for the three and nine months ended September 30, 2017, respectively. See Note 7)	372	473	837	1,093
Total operating expenses	<u>1,688</u>	<u>2,359</u>	<u>4,597</u>	<u>4,671</u>
<b>Other income (loss)</b>				
Loss on extinguishment of accounts payable	-	(82)	-	(82)
Other expenses	(2)	-	(2)	-
Interest income	1	1	1	1
Total other loss	<u>(1)</u>	<u>(81)</u>	<u>(1)</u>	<u>(81)</u>
<b>Net loss</b>	<b><u>(1,689)</u></b>	<b><u>(2,440)</u></b>	<b><u>(4,598)</u></b>	<b><u>(4,752)</u></b>
Less: net loss attributable to non-controlling interest	-	(125)	(155)	(250)
<b>Net loss attributable to controlling interest</b>	<b><u>(1,689)</u></b>	<b><u>(2,315)</u></b>	<b><u>(4,443)</u></b>	<b><u>(4,502)</u></b>
Less: Dividends accrued on preferred stock	(100)	(46)	(275)	(68)
Less: Deemed dividend on Series A preferred stock	-	-	(687)	(649)
Less: Deemed dividend - beneficial conversion feature on preferred stock	-	-	(956)	(807)
<b>Net loss attributable to alpha-En Corporation common stockholders</b>	<b><u>\$ (1,789)</u></b>	<b><u>\$ (2,361)</u></b>	<b><u>\$ (6,361)</u></b>	<b><u>\$ (6,026)</u></b>
 Net loss per share attributable to alpha-En Corporation common stockholders				
Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.18)</u>	<u>\$ (0.18)</u>
 Weighted average shares outstanding:				
Basic and diluted	<u>35,890,676</u>	<u>33,337,722</u>	<u>35,693,698</u>	<u>33,300,837</u>

See notes to condensed financial statements.

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

	<b>Common Stock</b>		<b>Additional</b>	<b>Treasury Stock</b>		<b>Accumulated</b>	<b>Noncontrolling</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid-In Capital</b>	<b>Shares</b>	<b>Amount</b>	<b>Deficit</b>	<b>Interest</b>	<b>Stockholders' Deficit</b>
<b>Balance at December 31, 2017</b>	<b>33,350,506</b>	<b>\$ 334</b>	<b>\$ 18,482</b>	<b>714,750</b>	<b>\$ (69)</b>	<b>\$ (20,276)</b>	<b>\$ (704)</b>	<b>\$ (2,233)</b>
Stock based compensation	-	-	1,932	-	-	-	-	1,932
Shares issued for acquiring ownership of subsidiary	3,018,190	30	(889)	-	-	-	859	-
Issuance of common stock for cash in a private placement	1,534,433	15	1,785	-	-	-	-	1,800
Preferred stock converted to common stock	31,460	-	55	-	-	-	-	55
Options exercised for cash	110,000	1	21	-	-	-	-	22
Warrants exercised for cash	1,000,000	10	190	-	-	-	-	200
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	-	-	(275)	-	-	-	-	(275)
Net loss	-	-	-	-	-	(4,443)	(155)	(4,598)
<b>Balance at September 30, 2018</b>	<b>39,044,589</b>	<b>\$ 390</b>	<b>\$ 21,301</b>	<b>714,750</b>	<b>\$ (69)</b>	<b>\$ (24,719)</b>	<b>\$ -</b>	<b>\$ (3,097)</b>

See notes to condensed financial statements.

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

	<b>For the Nine Months Ended September</b>	
	<b>30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (4,598)	\$ (4,752)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	83	41
Stock-based compensation	1,932	2,706
Warrant issued for services	-	249
Loss on extinguishment of accounts payable	-	82
Changes in operating assets and liabilities of business, net of acquisitions:		
Prepaid expenses	-	2
Accounts payable and accrued expenses	(553)	62
Deferred rent	118	-
Net cash used in operating activities	<u>(3,018)</u>	<u>(1,610)</u>
<b>Cash flows from investing activities</b>		
Release of restricted cash and long term deposit	-	100
Purchase of fixed assets	(180)	(25)
Net cash (used in) provided by investing activities	<u>(180)</u>	<u>75</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of preferred stock and warrants	1,700	1,670
Proceeds from issuance of common stock in a private placement	1,800	-
Options exercised for cash	22	-
Warrants exercised for cash	200	-
Advances from related parties	-	150
Repayments of advances from related parties	(22)	(42)
Net cash provided by financing activities	<u>3,700</u>	<u>1,778</u>
Net increase in cash	502	243
Cash and restricted cash at beginning of period	562	442
Cash and restricted cash at end of period	<u>\$ 1,064</u>	<u>\$ 685</u>
<b>Non cash financing and investing activities:</b>		
Beneficial conversion feature of Series A preferred stock	<u>\$ 956</u>	<u>\$ 807</u>
Deemed dividends related to beneficial conversion feature of Series A preferred stock	<u>\$ (956)</u>	<u>\$ (807)</u>
Issuance of warrants in preferred stock offering	<u>\$ 687</u>	<u>\$ 649</u>
Deemed dividend on Series A preferred stock	<u>\$ (687)</u>	<u>\$ (649)</u>
Accrued Series A dividends	<u>\$ (275)</u>	<u>\$ (68)</u>
Conversion of advances from related parties to preferred stock	<u>\$ 250</u>	<u>\$ 150</u>
Common stock and warrants issued for extinguishment of accounts payable	<u>\$ -</u>	<u>\$ 192</u>

Preferred stock converted to common stock	\$	55	\$	-
Purchases of fixed assets in accounts payable	\$	67	\$	-
Forgiveness of the lease payments	\$	104	\$	-

See notes to condensed financial statements.

## **Note 1 - Organization and Operations**

alpha-En Corporation (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.

### *Ownership of 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. From 2014 to 2016, the Company sold 9.05% or 905,000 of CLC’s shares to minority equity holders. Effective as of June 14, 2018, the Company completed the purchase all of the outstanding shares of CLC such that CLC became a wholly-owned subsidiary of the Company and was immediately thereafter merged with and into the Company, with the Company surviving. In connection with this transaction, the former minority equity holders of CLC prior to the merger received an aggregate total of 3,018,190 shares of common stock of the Company. The Company recorded the acquisition of CLC as a capital transaction.

### ***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 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 financial statements, the Company had an accumulated deficit of approximately \$24.7 million at September 30, 2018, a net loss of approximately \$4.6 million and approximately \$3.0 million net cash used in operating activities for the nine months ended September 30, 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 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.

### **Note 3 - Significant and Critical Accounting Policies and Practices**

#### **Basis of Presentation and Principles of Consolidation**

On June 14, 2018 the Company completed the purchase all of the outstanding shares of CLC such that CLC became a wholly-owned subsidiary of the Company and was immediately thereafter merged with and into the Company, with the Company surviving. Accordingly, as of June 14, 2018 the Company no longer has any subsidiaries consolidated in these financial statements.

For the year ended December 31, 2017 and through June 14, 2018, 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 condensed consolidated balance at December 31, 2017 was derived from audited annual financial statements but do not contain all of the footnote disclosures from the annual financial statements. The unaudited condensed 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 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.

#### **Use of Estimates**

The Company's condensed 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 September 30, 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 nine months ended September 30, 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.

## **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 nine months ended September 30, 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.

## **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.

## 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 September 30, 2018 and 2017 are as follows:

	As of September 30,	
	2018	2017
Warrants to purchase common stock	4,719,292	4,744,292
Options to purchase common stock	16,024,000	8,880,000
Preferred stock convertible into common stock	2,348,060	-
<b>Total</b>	<b>23,091,352</b>	<b>13,624,292</b>

## 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

The Company considers the applicability and impact of all Accounting Standard Updates (“ASUs”). ASUs not discussed below were assessed and determined to be either not applicable or are expected to have minimal impact on our balance sheets or statements of operations.

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-13, “Fair Value Measurement (Topic 820), – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,” which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of the update. The Company is still evaluating but does not expect the adoption of this guidance to have a material impact on its condensed Financial Statements.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders’ equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders’ equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the

beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective on November 5, 2018. The Company plans to adopt this change in Q1 2019.

In June 2018, the FASB issued ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting”, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. We are still evaluating but expect the adoption of this pronouncement will eliminate significant fluctuation in stock based compensation expensed in the past due to awards to non-employees.

In July 2017, the FASB issued 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.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance: ASU 2017-13, ASU 2018-10 and ASU 2018-11 (collectively, Topic 842). Topic 842 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. Topic 842 is effective for us in our first quarter of fiscal 2020, and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of Topic 842 on our consolidated financial statements. We currently expect that most of our operating lease commitments (see MD&A for commitments) will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon our adoption of Topic 842, which will increase our total assets and total liabilities that we report relative to such amounts prior to adoption.

In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases which clarifies, corrects or consolidates authoritative guidance issued in ASU 2016-02 and is effective upon adoption of ASU 2016-02. In July 2018, the FASB issued ASU 2018-11, Targeted Improvements, which provides an optional transition method that allows entities to elect to apply the standard prospectively at its effective date, versus recasting the prior periods presented. If elected, an entity would recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company is still evaluating the method of adopting the standard.

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 statement of cash flows.

#### **Note 4 - Property and Equipment**

The components of property and equipment as of September 30, 2018 and December 31, 2017, at cost are (dollars in thousands):

	Useful Life (Years)	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Lab equipment	3	\$ 415	\$ 173
Office furniture and equipment	3	31	31
Leasehold improvement	7	<u>379</u>	<u>374</u>
Gross property and equipment		825	578
Less: Accumulated depreciation and amortization		<u>(160)</u>	<u>(77)</u>
Property and equipment, net		<u>\$ 665</u>	<u>\$ 501</u>

The Company's depreciation and amortization expense for the three and nine months ended September 30, 2018 was \$32,000 and \$83,000, and \$24,000 and \$41,000 for the three and nine months ended September 30, 2017, 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 September 30, 2018 and December 31, 2017, the outstanding amounts of the advances from related parties was approximately \$36,000 and \$308,000, respectively. During the nine months ended September 30, 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. On May 31, 2018, the board of directors approved to grant Mr. Pitroda an option to purchase 7,000,000 shares of the Company's common stock at an exercise price of \$2.08 per share. The option expires seven years from the option grant date. The stock subject to the option will vest upon the earlier to occur of (1) the five-year anniversary of the option grant date or (2) the achievement of certain stock price and volume milestones, which are as follows:

<u>Common stock price closes at or above</u>	<u>For 20 consecutive business days, with average daily volume in excess of</u>	<u>Total option shares that become vested on satisfaction of conditions</u>
\$ 3.00	20,000	2,000,000 (28.5%)
\$ 6.00	40,000	4,000,000 (51.7%)
\$ 11.00	60,000	7,000,000 (100.0%)

The total fair value of this option award on the grant date was approximately \$7.6 million. The fair value of the option award was determined using the Black-Scholes model with the following assumptions: risk free interest rate – 2.7%, volatility – 78.0%, expected term – 4 years and dividends – N/A. The Company will amortize the option over its service period of 4.09 years which was derived from a Monte Carlo simulation. Stock-based compensation expense for this option recognized for the three and nine months ended September 30, 2018 was \$466,000 and \$622,000, respectively.

On September 1 2017, Steven Fludder, former CEO, resigned from the Company. On June 22, 2018, the Company vested 150,000 stock options that would have been forfeited. The Company recorded additional stock compensation expense of \$210,000 related to this stock option modification.

## Note 6 - Temporary Equity

The following table summarizes the Company's Series A Preferred Stock activities for the nine months ended September 30, 2018 (dollars in thousands):

	<u>Series A Preferred Stock</u>	
	<u>Shares</u>	<u>Amount</u>
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
Preferred stock converted to common stock	(55)	(55)
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	275	275
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 September 30, 2018	<u>4,105</u>	<u>\$ 4,105</u>

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 through KielStrand Capital LLC 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.

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.

During nine months ended September 30, 2018, there were 55 shares of preferred stock converted into 31,460 shares of common stock. As of September 30, 2018, the dividends accrued and outstanding were \$385,000 and reflected in carrying value of temporary equity.

## **Note 7 - Stockholders’ (Deficit) Equity**

### ***Common Stock***

On March 21, 2018, the Company entered into a private placement offering with an investor and issued 826,446 shares of its common stock for \$1.0 million. In addition, the Company granted this investor the non-exclusive rights to distribute its product in China for a period of two years. In connection with this private placement, the Company issued 41,322 shares of common stock to an investor as a finder's fee.

On August 23, 2018, the Company entered into a private placement offering with three investors and issued 666,665 shares of its common stock for \$800,000.

## 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 nine months ended September 30, 2018 and 2017 was \$8.4 million and \$4.6 million, respectively. The fair value of options granted during the nine months ended September 30, 2018 and 2017 were estimated using the following weighted-average assumptions:

	For the Nine Months Ended September 30,	
	2018	2017
Exercise price	\$ 2.05	\$ 1.85
Expected stock price volatility	78%	79%
Risk-free rate of interest	2.68%	1.61%
Term (years)	4.0	3.1

A summary of option activity under the Company's employee stock option plan for the nine months ended September 30, 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	7,610,000	2.06	19,000	6.5
Exercised	(100,000)	0.20	152,000	-
Expired	(250,000)	0.10	443,000	-
Outstanding as of September 30, 2018	12,929,000	\$ 1.85	\$1,649,000	5.4
Options vested and expected to vest as of September 30, 2018	12,929,000	\$ 1.85	\$1,649,000	5.4
Options vested and exercisable as of September 30, 2018	3,336,500	\$ 1.51	\$1,185,000	3.9

Estimated future stock-based compensation expense relating to unvested employee stock options is approximately \$8.3 million as of September 30, 2018 and will be amortized over 4.0 years.

A summary of activity of options granted to non-employees for the nine months ended September 30, 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

Non-employee options granted	200,000	1.64	22,000	4.0
Exercised	(10,000)	0.20	22,000	-
Expired	(300,000)	0.15	491,000	-
Outstanding as of September 30, 2018	<u>3,095,000</u>	<u>\$ 0.51</u>	<u>\$3,767,000</u>	<u>2.0</u>
Options vested and expected to vest as of September 30, 2018	3,095,000	\$ 0.51	\$3,767,000	2.0
Options vested and exercisable as of September 30, 2018	2,582,500	\$ 0.47	\$3,223,000	1.9

### *Warrants*

A summary of the status of the Company's outstanding warrants as of September 30, 2018 and changes during the nine months then ended is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Total Intrinsic Value</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>
Outstanding as of December 31, 2017	4,744,292	\$ 1.24	\$7,884,000	3.6
Issued	975,000	2.00	-	4.4
Exercised	(1,000,000)	0.20	1,680,000	-
Outstanding as of September 30, 2018	<u>4,719,292</u>	<u>\$ 1.62</u>	<u>\$1,830,000</u>	<u>3.3</u>
Warrants exercisable as of September 30, 2018	4,469,292	\$ 1.64	\$1,705,000	3.2

### *Stock-based Compensation Expense*

Stock-based compensation expense for the nine months ended September 30, 2018 and 2017 was comprised of the following (dollars in thousands):

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Employee stock option awards	\$ 862	\$ 1,367	\$ 2,250	\$ 1,723
Non-employee option awards	(22)	273	(318)	983
Total compensation expense	<u>\$ 840</u>	<u>\$ 1,640</u>	<u>\$ 1,932</u>	<u>\$ 2,706</u>

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

### CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in this report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. Forward-looking statements can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "should," "intend," "may," "will," "would," "potential" and similar expressions to future periods. Forward-looking statements are not based on historical facts but rather represent current expectations and assumptions. Forward-looking statements include statements we make about matters such as: future revenues; future industry conditions; future changes in our capacity and operations; research and development and capital expenditures and their impact on us; business process, rationalization, investment, operational, tax, financial and capital projects and initiatives; contingencies; changes in the regulatory environment; future capital raising activities and future working capital, costs, revenues, business opportunities, cash flows, margins, earnings and growth.

Forward-looking statements relate to the future and are subject to many risks, assumptions and uncertainties, including those risks set forth in this report and as described in Part I, Item IA Risk Factors of our Annual Report on Form 10-K for our prior fiscal year ended December 31, 2017. Although we believe the expectations reflected in the forward-looking statements are reasonable, actual results, developments and business decisions could differ materially from those contemplated by such forward-looking statements. The environment for which we operate in is highly competitive and rapidly changing and it is not possible for our management to predict all risks, as new risks emerge from time to time.

While no list of uncertainties could be complete, some factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation: current and future business and economic uncertainties may adversely affect our ability to generate revenues, profitability and financial condition; changes in the energy storage and battery markets could adversely affect our ability to compete and or to successfully commercialize products acceptable to the market; our business, financial condition and results of operations could be adversely affected by new government regulations; potential inability to attract and retain skilled personnel, could harm our business; we may pursue strategic opportunities which could result in operating difficulties or dilution; assertions of claims, lawsuits and proceedings against us could harm our business, results of operations and reputation; and our potential inability to raise capital when and if needed.

All subsequent written and oral forward-looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future developments or otherwise, except as may be required by law.

### **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 nine months ended September 30, 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 September 30, 2018 Compared to Three Months Ended September 30, 2017*

General and administrative expenses were approximately \$1.2 million for the three months ended September 30, 2018 as compared to approximately \$1.8 million for the three months ended September 30, 2017. The decrease in general and administrative expenses mostly relates to stock-based compensation and warrants issued for services which were approximately \$869,000 and \$1.5 million for the three months ended September 30, 2018 and 2017, respectively.

Legal and professional fees were approximately \$103,000 for the three months ended September 30, 2018 as compared to approximately \$135,000 for the three months ended September 30, 2017.

Research and development expenses were approximately \$372,000 for the three months ended September 30, 2018 as compared to approximately \$473,000 for the three months ended September 30, 2017. During the three months ended September 30, 2018, in addition to ongoing efforts at two major research universities, we also increased our research and development efforts at our Yonkers lab facility. These initiatives resulted in research and development expenses of \$79,000 and stock-based compensation income of \$28,000 during the three months ended September 30, 2018.

Net loss attributable to non-controlling interest was \$0 for the three months ended September 30, 2018 as compared to net loss attributable to non-controlling interest of approximately \$125,000 for the three months ended September 30, 2017, with such change resulting from our purchase of all of the outstanding shares of our former subsidiary, CLC. See Note 1 to the financial statements for more detail regarding CLC.

#### *Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017*

General and administrative expenses were approximately \$3.4 million for the nine months ended September 30, 2018 as compared to approximately \$3.2 million for the nine months ended September 30, 2017. The increase in general and administrative expenses mostly relates to an increase in payroll cost of \$203,000 as compared to the prior period.

Legal and professional fees were approximately \$364,000 for the nine months ended September 30, 2018 as compared to approximately \$390,000 for the nine months ended September 30, 2017.

Research and development expenses amounted to \$837,000 for the nine months ended September 30, 2018 as compared to approximately \$1.1 million for the nine months ended September 30, 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 \$245,000 and expense of \$783,000 for the nine months ended September 30, 2018 and 2017, respectively offset by additional contracts entered into with a national research lab and another major research university for additional work related to development and scale-up of our processes. The Company also commenced research and development efforts at the Company's Yonkers lab facility, which is now fully operational. The lab has added scientific staff and equipment to analyze lithium and lithium anodes produced through our proprietary processes. This testing allows the Company to further refine its processes, to demonstrate the properties of its lithium in potential battery configurations and to develop data for use with potential commercial partners.

Net loss attributable to non-controlling interest was approximately \$155,000 for the nine months ended September 30, 2018 as compared to net loss attributable to non-controlling interest of approximately \$250,000 for the nine months ended September 30, 2017.

#### **Going Concern**

The Company's condensed 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 financial statements, the Company had an accumulated deficit of approximately \$24.7 million at September 30, 2018, a net loss of approximately \$4.6 million and approximately \$3.0 million net cash used in operating activities for the nine months ended September 30, 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 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 September 30, 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 September 30, 2018, we had an accumulated deficit of approximately \$24.7 million and working capital of approximately \$417,000.

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.

On March 21, 2018, the Company entered into a private placement offering with an investor and issued 826,446 shares of its common stock for \$1.0 million. In connection with this private placement, the Company issued 41,322 shares of common stock to a third party as a finder’s fee.

On August 23, 2018, the Company entered into a private placement offering with three investors and issued 666,665 shares of its common stock for \$800,000.

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):

	<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Net cash used in operating activities	\$ (3,018)	\$ (1,610)
Net cash (used in) provided by investing activities	(180)	75
Net cash provided by financing activities	3,700	1,778
Net increase in cash and cash equivalents	<u>\$ 502</u>	<u>\$ 243</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 no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

## Commitments

On March 22, 2016, we 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. On March 31, 2018, we entered into a lease amendment agreement with the Landlord. Which resulted in abatement of rent for the period from October 2017 through March 2018, and the expiration date of the Lease was extended to March 31, 2025.

In connection with this lease, we 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 balance sheets. During the year ended December 31, 2017, \$100,000 restricted cash was released to the Company.

As of September 30, 2018, contractual minimal lease payments are as follows (in thousands):

	2018	\$	53
	2019		212
	2020		215
	2021		219
	2022		222
	Thereafter		511
	Total	\$	<u>1,432</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 September 30, 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 September 30, 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 2018, 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 nine months ended September 30, 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.

On August 23, 2018, the Company entered into a private placement offering with three accredited investors and issued 666,665 shares of its common stock for total aggregate consideration of \$800,000. The securities sold in this offering were not registered under the Securities Act of 1933, as amended, or the securities laws of any state, and were offered and sold in reliance on the exemption from registration under the Securities Act of 1933, as amended, provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act of 1933, as amended.

### Item 3. Defaults upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

Not applicable.

### Item 6. Exhibits

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
31.1	<a href="#">Certification of Principal Executive Officer and Principal Financial and Accounting Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">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</a>
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: November 14, 2018

By: /s/ Jerome I. Feldman

Jerome I. Feldman  
Executive Chairman and Treasurer

Date: November 14, 2018

By: /s/ Sam Pitroda

Sam Pitroda  
Chief Executive Officer  
(principal executive officer)

Date: November 14, 2018

By: /s/ Nathan J. Wasserman

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

