

**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, 2019**

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: **001-12885**

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ALPE	OTC Markets

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of November 14, 2019, there were 38,879,799 shares of common stock outstanding.



TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Financial Statements</u>	3
<u>Condensed Balance Sheets at September 30, 2019 (Unaudited) and December 31, 2018</u>	3
<u>Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited)</u>	4
<u>Condensed Statements of Stockholders' Deficit for the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited)</u>	5
<u>Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018 (Unaudited)</u>	7
<u>Notes to Condensed Financial Statements (Unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	19
Item 4. <u>Controls and Procedures</u>	19
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	20
Item 1A. <u>Risk Factors</u>	20
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
Item 3. <u>Defaults Upon Senior Securities</u>	20
Item 4. <u>Mine Safety Disclosures</u>	20
Item 5. <u>Other Information</u>	20
Item 6. <u>Exhibits</u>	20
<u>SIGNATURES</u>	21

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 278	\$ 518
Grant receivable	35	-
Restricted cash	-	15
Prepaid expenses	71	-
Total current assets	384	533
Long-term restricted cash	35	35
Property and equipment, net	597	632
Right-of-use assets	825	-
Total assets	\$ 1,841	\$ 1,200
LIABILITIES AND STOCKHOLDERS' DEFICIT AND TEMPORARY EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 807	\$ 557
Advances from related parties	36	36
Current portion of deferred rent	-	10
Current portion of operating lease liability	127	-
Total current liabilities	970	603
Deferred rent	-	105
Noncurrent operating lease liability	806	-
Total liabilities	1,776	708
Series A Preferred Stock par value \$0.01: 5,000 shares authorized; 4,532 shares and 4,208 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively; aggregate liquidation preference of \$4,532 and \$4,208 as of September 30, 2019 and December 31, 2018, respectively	4,532	4,208
Series B Preferred Stock par value \$0.01: 5,000 shares authorized; 910 shares issued and outstanding as of September 30, 2019; aggregate liquidation preference of \$910 as of September 30, 2019	910	-
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; 39,444,549 shares issued and 38,729,799 shares outstanding at September 30, 2019 and 39,044,549 shares issued and 38,329,799 shares outstanding at December 31, 2018, respectively	394	390
Additional paid-in capital	23,719	21,586
Treasury stock at cost: 714,750 shares as of September 30, 2019 and	(69)	(69)

December 31, 2018		
Accumulated deficit	(29,421)	(25,623)
Total stockholders' deficit	<u>(5,377)</u>	<u>(3,716)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT AND TEMPORARY EQUITY	<u>\$ 1,841</u>	<u>\$ 1,200</u>

See notes to condensed financial statements.

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Revenues				
Grant income	\$ 58	\$ -	\$ 58	\$ -
Total revenues	<u>58</u>	<u>-</u>	<u>58</u>	<u>-</u>
Operating expenses				
General and administrative	\$ 1,076	\$ 1,213	\$ 3,220	\$ 3,396
Legal and professional fees	60	103	229	364
Research and development (includes stock based compensation of \$18 and \$59 for the three and nine months ended September 30, 2019 and \$(28) and \$(245) for the three and nine months ended September 30, 2018, respectively. See Note 7)	101	372	399	837
Total operating expenses	<u>1,237</u>	<u>1,688</u>	<u>3,848</u>	<u>4,597</u>
Other income (loss)				
Other expenses	(3)	(2)	(9)	(2)
Interest income	-	1	1	1
Total other income (loss)	<u>(3)</u>	<u>(1)</u>	<u>(8)</u>	<u>(1)</u>
Net loss	(1,182)	(1,689)	(3,798)	(4,598)
Less: net loss attributable to non-controlling interest	-	-	-	(155)
Net loss attributable to controlling interest	(1,182)	(1,689)	(3,798)	(4,443)
Less: Dividends accrued on Series A Preferred Stock	(111)	(100)	(324)	(275)
Less: Dividends accrued on Series B Preferred Stock	(20)	-	(40)	-
Less: Deemed dividend on Series A Preferred Stock	-	-	-	(687)
Less: Deemed dividend on Series B Preferred Stock	22	-	(192)	-
Less: Deemed dividend - beneficial conversion feature on Series A Preferred Stock	-	-	-	(956)
Less: Deemed dividend - beneficial conversion feature on Series B Preferred Stock	52	-	(453)	-
Net loss attributable to alpha-En Corporation common stockholders	<u>\$ (1,239)</u>	<u>\$ (1,789)</u>	<u>\$ (4,807)</u>	<u>\$ (6,361)</u>
Net loss per share attributable to alpha-En Corporation common stockholders				
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.12)</u>	<u>\$ (0.18)</u>
Weighted average shares outstanding:				
Basic and diluted	<u>39,444,549</u>	<u>35,890,676</u>	<u>39,278,981</u>	<u>35,693,698</u>

See notes to condensed financial statements.

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

For the Three and Nine Months Ended September 30, 2019

	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Stockholders'</u>
			<u>Capital</u>				<u>Equity</u>
							<u>(Deficit)</u>
Balance at December 31, 2018	<u>39,044,549</u>	<u>\$ 390</u>	<u>\$ 21,586</u>	<u>714,750</u>	<u>\$ (69)</u>	<u>\$ (25,623)</u>	<u>\$ (3,716)</u>
Stock based compensation	-	-	710	-	-	-	710
Accrued Series A Preferred Stock dividends	-	-	(105)	-	-	-	(105)
Net loss	-	-	-	-	-	(1,214)	(1,214)
Balance at March 31, 2019	<u>39,044,549</u>	<u>\$ 390</u>	<u>\$ 22,191</u>	<u>714,750</u>	<u>\$ (69)</u>	<u>\$ (26,837)</u>	<u>\$ (4,325)</u>
Stock based compensation	-	-	944	-	-	-	944
Issuance of warrants to purchase common stock associated with Preferred Stock offering	-	-	214	-	-	-	214
Deemed dividend on Series B Preferred Stock	-	-	(214)	-	-	-	(214)
Beneficial conversion feature of Series B Preferred Stock	-	-	505	-	-	-	505
Deemed dividends related to beneficial conversion feature of Series B Preferred Stock	-	-	(505)	-	-	-	(505)
Accrued Series A Preferred Stock dividends	-	-	(108)	-	-	-	(108)
Accrued Series B Preferred Stock dividends	-	-	(20)	-	-	-	(20)
Net loss	-	-	-	-	-	(1,402)	(1,402)
Balance at June 30, 2019	<u>39,044,549</u>	<u>\$ 390</u>	<u>\$ 23,007</u>	<u>714,750</u>	<u>\$ (69)</u>	<u>\$ (28,239)</u>	<u>\$ (4,911)</u>
Stock based compensation	-	-	747	-	-	-	747
Issuance of warrants to purchase common stock associated with Preferred Stock offering	-	-	(22)	-	-	-	(22)
Deemed dividend on Series B Preferred Stock	-	-	22	-	-	-	22
Beneficial conversion feature of Series B Preferred Stock	-	-	(52)	-	-	-	(52)
Deemed dividends related to beneficial conversion feature of Series B Preferred Stock	-	-	52	-	-	-	52
Issuance of common stock for cash in private placements	400,000	4	96	-	-	-	100
Accrued Series A Preferred Stock dividends	-	-	(111)	-	-	-	(111)
Accrued Series B Preferred Stock dividends	-	-	(20)	-	-	-	(20)
Net loss	-	-	-	-	-	(1,182)	(1,182)
Balance at September 30, 2019	<u>39,444,549</u>	<u>\$ 394</u>	<u>\$ 23,719</u>	<u>714,750</u>	<u>\$ (69)</u>	<u>\$ (29,421)</u>	<u>\$ (5,377)</u>

See notes to condensed financial statements.

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

For the Three and Nine Months Ended September 30, 2018

	<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 Capital</u>	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Interest</u>	<u>Stockholders' Deficit</u>
Balance at December 31, 2017	33,350,506	\$ 334	\$ 18,482	714,750	\$ (69)	\$ (20,276)	\$ (704)	\$ (2,233)
Stock based compensation	-	-	(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 Preferred Stock 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)
Stock based compensation	-	-	1,173	-	-	-	-	1,173
Shares issued for acquiring ownership of subsidiary	3,018,190	30	(889)	-	-	-	859	-
Issuance of common stock for cash in a private placement	867,768	9	991	-	-	-	-	1,000
Series A Preferred Stock converted to common stock	31,460	-	55	-	-	-	-	55
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 Preferred Stock dividends	-	-	(98)	-	-	-	-	(98)
Net loss	-	-	-	-	-	(2,122)	(126)	(2,248)
Balance at June 30, 2018	38,277,924	\$ 383	\$ 19,748	714,750	\$ (69)	\$ (23,030)	\$ -	\$ (2,968)
Stock based compensation	-	-	840	-	-	-	-	840
Options exercised for cash	100,000	1	19	-	-	-	-	20
Issuance of common stock for cash in a private placement	666,665	6	794	-	-	-	-	800
Accrued Series A Preferred Stock dividends	-	-	(100)	-	-	-	-	(100)
Net loss	-	-	-	-	-	(1,689)	-	(1,689)
Balance at September 30, 2018	39,044,589	\$ 390	\$ 21,301	714,750	\$ (69)	\$ (24,719)	\$ -	\$ (3,097)

See notes to condensed financial statements.

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

	For the Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net loss	\$ (3,798)	\$ (4,598)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	91	83
Stock-based compensation	2,401	1,932
Amortization of right-of-use assets	78	-
Changes in operating assets and liabilities of business, net of acquisitions:		
Grant receivable	(35)	-
Prepaid expenses	(71)	-
Deferred rent	-	118
Operating lease liability	(85)	-
Accounts payable and accrued expenses	250	(553)
Net cash used in operating activities	<u>(1,169)</u>	<u>(3,018)</u>
Cash flows from investing activities		
Purchase of fixed assets	(56)	(180)
Net cash used in investing activities	<u>(56)</u>	<u>(180)</u>
Cash flows from financing activities		
Proceeds from issuance of preferred stock and warrants	820	1,700
Proceeds from issuance of common stock in private placements	100	1,800
Options exercised for cash	-	22
Warrants exercised for cash	-	200
Advances from related parties	50	-
Repayments of advances from related parties	-	(22)
Net cash provided by financing activities	<u>970</u>	<u>3,700</u>
Net (decrease) increase in cash	(255)	502
Cash and restricted cash at beginning of period	568	612
Cash and restricted cash at end of period	<u>\$ 313</u>	<u>\$ 1,114</u>
Non cash financing and investing activities:		
Beneficial conversion feature of Series A Preferred Stock and deemed dividends related to beneficial conversion feature of Series A Preferred Stock	<u>\$ -</u>	<u>\$ (956)</u>
Beneficial conversion feature of Series B Preferred Stock and deemed dividends related to beneficial conversion feature of Series B Preferred Stock	<u>\$ (453)</u>	<u>\$ -</u>
Issuance of warrants in Preferred Stock offering and deemed dividend on Series A Preferred Stock	<u>\$ -</u>	<u>\$ (687)</u>
Issuance of warrants in Preferred Stock offering and deemed dividend on Series B Preferred Stock	<u>\$ (192)</u>	<u>\$ -</u>
Accrued Series A Preferred Stock dividends	<u>\$ (324)</u>	<u>\$ (275)</u>
Accrued Series B Preferred Stock dividends	<u>\$ (40)</u>	<u>\$ -</u>
Conversion of advances from related parties to preferred stock	<u>\$ 50</u>	<u>\$ 250</u>
Series A Preferred Stock converted to common stock	<u>\$ -</u>	<u>\$ 55</u>
Purchase of assets included in accounts payable	<u>\$ -</u>	<u>\$ 67</u>
Forgiveness of the lease payments	<u>\$ -</u>	<u>\$ 104</u>

See notes to condensed financial statements.

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

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.

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 \$29.4 million at September 30, 2019, a net loss of approximately \$3.8 million and approximately \$1.2 million net cash used in operating activities for the nine months ended September 30, 2019. 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

Correction of Prior Quarter Error

The Company recorded an immaterial adjustment during the three months ended September 30, 2019, to properly record the cancellation of 100 shares of its issued Series B preferred stock and the resulting issuance 400,000 shares of common stock during the three months ended June 30, 2019. Due to the immaterial nature of this adjustment, there was no impact on basic or diluted earnings per share and net loss. The Company evaluated this correction considering both quantitative and qualitative factors and concluded it was immaterial to previously issued condensed financial statements.

Basis of Presentation and Principles of Consolidation

The condensed balance sheet at December 31, 2018 was derived from audited annual financial statements but does 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.

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

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, 2018 included in the Company's Annual Report on Form 10-K filed on April 1, 2019.

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.

Restricted Cash

The following is a summary of cash and restricted cash total as presented in the statements of cash flows for as of September 30, 2019 and 2018 (dollars are in thousands):

	As of September 30,	
	2019	2018
Cash	\$ 278	\$ 1,064
Restricted cash	-	15
Long-term restricted cash	35	35
Total cash and restricted cash	\$ 313	\$ 1,114

Grant Income

We have concluded that the Company's government grants are not within the scope of ASC Topic 606 as they do not meet the definition of a contract with a customer. The Company concluded that the grants meet the definition of a contribution and are non-reciprocal transactions, and have also concluded that Subtopic 958-605, Not-for-Profit-Entities-Revenue Recognition does not apply, as the Company is a business entity and the grants are with governmental agencies.

In the absence of applicable guidance under US GAAP, the Company developed a policy for the recognition of grant revenue when the conditions of the grant are met.

Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recorded when incurred.

In calculating the right of use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term.

The Company continues to account for leases in the prior period financial statements under ASC Topic 840.

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

Other than above, there have been no material changes in the Company's significant accounting policies to those previously disclosed in the Company's annual report on Form 10-K, which was filed with the SEC on April 1, 2019.

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, 2019 and 2018 are as follows:

	As of September 30,	
	2019	2018
Warrants to purchase common stock	5,667,292	4,719,292
Options to purchase common stock	19,129,000	16,024,000
Preferred stock convertible into common stock	4,412,304	2,348,060
Total	29,208,596	23,091,352

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 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 adopted this ASU on January 1, 2019 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)* in order to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. For public companies, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach and early adoption is permitted. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carryforward accounting conclusions under previous U.S. GAAP. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities an optional transition method to apply the guidance under Topic 842 as of the adoption date, rather than as of the earliest period presented. The Company adopted Topic 842 on January 1, 2019, using the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented, and elected the package of practical expedients described above. Based on the analysis, on January 1, 2019, the Company recorded right of use assets of approximately \$903,000, lease liability of approximately \$1.0 million and eliminated deferred rent of approximately \$115,000 (See Note 8).

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 amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within the fiscal years. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company adopted this new standard on January 1, 2019 and the adoption did not have a material impact on its consolidated financial statements and related disclosures.

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

Note 4 - Property and Equipment

The components of property and equipment as of September 30, 2019 and December 31, 2018, at cost are (dollars in thousands):

	<u>Useful Life (Years)</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Lab equipment	7	\$ 471	\$ 415
Office furniture and equipment	3	31	31
Leasehold improvement	7	379	379
Gross property and equipment		<u>881</u>	<u>825</u>
Less: Accumulated depreciation and amortization		(284)	(193)
Property and equipment, net		<u>\$ 597</u>	<u>\$ 632</u>

The Company's depreciation and amortization expense for the three months ended September 30, 2019 and 2018, was \$29,000 and \$32,000, respectively. The Company's depreciation and amortization expense for the nine months ended September 30, 2019 and 2018, was \$91,000 and \$83,000, 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.

During the nine months ended September 30, 2019, the Company borrowed \$50,000 from Steven M. Payne and subsequently the Company converted this advance into Series B Preferred Stock. As of September 30, 2019 and December 31, 2018, the outstanding amounts of the advances from related parties was approximately \$36,000.

Note 6 - Temporary Equity

Series A Preferred Stock

The following table summarizes the Company's Series A Preferred Stock activities for the nine months ended September 30, 2019 (dollars in thousands):

	<u>Series A Preferred Stock</u>	
	<u>Shares</u>	<u>Amount</u>
Total Series A temporary equity as of December 31, 2018	4,208	\$ 4,208
Accrued Series A Preferred Stock dividends	324	324
Total Series A temporary equity as of September 30, 2019	<u>4,532</u>	<u>\$ 4,532</u>

As of September 30, 2019, the Company has 4,532 shares of Series A Preferred Stock convertible into 2,592,304 shares of common stock, and the dividends accrued and outstanding were \$812,000 and reflected in carrying value of temporary equity.

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

Series B Preferred Stock

On April 16, 2019 the Company entered into a preferred stock purchase agreement (“Stock Purchase Agreement”) with several accredited and institutional investors (including certain executives and members of the Company’s Board of Directors), pursuant to which the Company agreed to issue and sell in a private placement up to 1,500 shares of its newly designated Series B Preferred Stock, par value \$0.01 per share, as well as warrants to purchase the Company’s common stock, at a purchase price of \$1,000 per unit, for total gross proceeds of up to \$1.5 million. The Company has raised \$870,000 from the issuance of 870 shares of Series B Preferred Stock and 870,000 warrants to purchase the Company’s common stock through June 30, 2019, including \$50,000 advances from related parties converted into Series B Preferred Stock.

Each share of Series B preferred stock is convertible into 2,000 shares of common stock and is redeemable by the Company at any time after the first anniversary. Upon liquidation of the Company, each share of Series B is entitled to receive a distribution of assets before any distribution to holders of common stock, and after satisfaction of all liabilities, in an amount equal to the original issuance price plus any accrued but unpaid dividends. The Series B preferred stock is entitled to cumulative non-compounding dividends at an annual rate of 10%, which are to be paid quarterly. At the Company’s election the dividend may be paid in either stock or cash.

On the issuance date, the Company estimated the fair value of the warrants at \$321,000 using the Black-Scholes option pricing model using the following primary assumptions: contractual term of 5.0 years, volatility rate of 71.9%, risk-free interest rate of 2.40% and expected dividend rate of 0%. Based on the warrant’s relative fair value to the fair value of the Series B Preferred Stock, approximately \$192,000 of the \$321,000 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 B Preferred Stock, the effective conversion price was approximately \$0.39 per share creating a beneficial conversion feature of \$453,000 which reduced the carrying value of the Series B Preferred Stock. Since the conversion option of the Series B Preferred Stock was immediately exercisable, the beneficial conversion feature was immediately accreted to preferred dividends, resulting in an increase in the carrying value of the Series B Preferred Stock.

On April 8, 2019, in connection with the sale and issuance of the Series B Preferred Stock, the Company filed with the Secretary of State of the State of Delaware a certificate of designation establishing and designating the Series B Preferred Stock and the rights, preferences, privileges and limitations thereof.

The following table summarizes the Company’s Series B Preferred Stock activities for the nine months ended September 30, 2019 (dollars in thousands):

	Series B Preferred Stock	
	Shares	Amount
Total Series B temporary equity as of December 31, 2018	-	\$ -
Sale of Series B Preferred Stock	820	820
Conversion of advances into preferred stock	50	50
Beneficial conversion feature of Series B Preferred Stock	-	(453)
Deemed dividends related to beneficial conversion feature of Series B Preferred Stock	-	453
Accrued Series B Preferred Stock dividends	40	40
Deemed dividend on Series B Preferred Stock	-	192
Fair Value of common stock warrant issued with Series B Preferred Stock	-	(192)
Total Series B temporary equity as of September 30, 2019	910	\$ 910

As of September 30, 2019, the Company has 910 shares of Series B Preferred Stock convertible into 1,820,000 shares of common stock, and the dividends accrued and outstanding were \$40,000 and reflected in carrying value of temporary equity.

Note 7 - Stockholders’ (Deficit) Equity

Common Stock

On April 23, 2019, the Company entered into a private placement offering with an investor and issued 400,000 shares of its common stock for \$100,000.

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

On August 13, 2019 the Board of Directors of the Company and a subset of the Company's stockholders representing in excess of a majority 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 increase the authorized capital stock of the Company to 85,000,000 shares, consisting of 82,000,000 shares of common stock, par value one cent (\$0.01) per share, 1,000,000 shares of Class B common stock, par value one cent (\$0.01) per share, and 2,000,000 shares of preferred stock, par value one cent (\$0.01) per share. Pursuant to applicable law, the Restated Certificate will become effective twenty days after the distribution of an information statement to all of the Company's stockholders and after the filing of the Restated Certificate with the Delaware Secretary of State. The Company filed an information statement with the SEC on November 11, 2019.

Stock Options

The Company uses the Black-Scholes model to value stock options which requires certain assumptions. 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, 2019 and 2018 was \$818,000 and \$8.4 million, respectively. On August 13, 2019, the Board approved the increase of the number of shares available under the 2016 Equity Plan to 30,000,000. The Company filed an information statement with the SEC on November 11, 2019.

The fair value of options granted during the nine months ended September 30, 2019 and 2018 were estimated using the following weighted-average assumptions:

	For the Nine Months Ended	
	September 30,	
	2019	2018
Exercise price	\$ 0.26	\$ 2.05
Expected stock price volatility	65%	78%
Risk-free rate of interest	2.23%	2.68%
Term (years)	3.1	4.0

A summary of option activity for employees and nonemployees under the Company's stock option plan for the nine months ended September 30, 2019 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, 2018	15,724,000	\$ 1.60	\$ 1,924,000	4.5
Granted	7,070,000	0.26	2,000,000	4.6
Cancelled	(1,750,000)	1.90	-	-
Expired	(1,915,000)	0.55	604,000	-
Outstanding as of September 30, 2019	<u>19,129,000</u>	<u>\$ 1.18</u>	<u>\$ 2,518,000</u>	<u>4.4</u>
Options vested and expected to vest as of September 30, 2019	19,129,000	\$ 1.18	\$ 2,518,000	4.4
Options vested and exercisable as of September 30, 2019	6,751,500	\$ 0.97	\$ 1,018,000	3.0

Estimated future stock-based compensation expense relating to unvested stock options is approximately \$6.0 million as of September 30, 2019 and will be amortized over 3.0 years.

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

Warrants

A summary of the status of the Company's outstanding warrants as of September 30, 2019 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, 2018	4,797,292	\$ 1.62	\$ 340,000	3.1
Issued	870,000	0.75	-	4.5
Outstanding as of September 30, 2019	<u>5,667,292</u>	<u>\$ 1.49</u>	<u>\$ 134,000</u>	<u>2.8</u>
Warrants exercisable as of September 30, 2019	5,417,292	\$ 1.50	\$ 134,000	2.7

Stock-based Compensation Expense

For the three months ended September 30, 2019, there were approximately \$729,000 and \$18,000 stock-based compensation expenses included in the general and administrative and research and development expense, respectively, compared to \$868,000 and \$(28,000) for the three months ended September 30, 2018, respectively. For the nine months ended September 30, 2019, there were approximately \$2.3 million and \$59,000 stock-based compensation expenses included in the general and administrative and research and development expense, respectively, compared to stock-based compensation expenses of \$2.2 million and \$(245,000) for the nine months ended September 30, 2018, respectively.

Note 8 - Leases

The Company leases office and laboratory space located in Yonkers, New York for its operations, resulting in an operating lease right-of-use asset, a current portion of operating lease liability, and a noncurrent operating lease liability on the balance sheet.

Operating lease costs are recorded on a straight-line basis within operating expenses. The Company's total lease expense is comprised of the following (dollars in thousands):

	<u>For the Three Months Ended September 30, 2019</u>	<u>For the Nine Months Ended September 30, 2019</u>
Operating leases		
Operating lease cost	\$ 51	\$ 152
Total rent expense	<u>\$ 51</u>	<u>\$ 152</u>

Additional information regarding the Company's leasing activities as a lessee is as follows (dollars in thousands):

	<u>For the Three Months Ended September 30, 2019</u>	<u>For the Nine Months Ended September 30, 2019</u>
Operating cash flows from operating leases	\$ 53	\$ 159
Remaining lease term – operating leases	5.5	5.5
Weighted-average discount rate – operating leases	10.0%	10.0%

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

As of September 30, 2019, contractual minimal lease payments are as follows (in thousands):

	2019	\$	53
	2020		215
	2021		219
	2022		222
	2023		225
	2024		229
	2025		58
			1,221
Total			1,221
Less present value discount			(288)
Less current portion of operating lease liability			(127)
Non-current operating lease liability		\$	806

Note 9 - Subsequent Events

On August 13, 2019 the Board of Directors of the Company and a subset of the Company's stockholders representing in excess of a majority 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 increase the authorized capital stock of the Company to 85,000,000 shares, consisting of 82,000,000 shares of common stock, par value one cent (\$0.01) per share, 1,000,000 shares of Class B common stock, par value one cent (\$0.01) per share, and 2,000,000 shares of preferred stock, par value one cent (\$0.01) per share, the Board of Directors and stockholders also approved of an increase in the number of shares available for grant under the Company's 2016 Omnibus Equity Plan to 30,000,000 shares. Pursuant to applicable law, the Restated Certificate will become effective twenty days after the distribution of an information statement to all of the Company's stockholders and after the filing of the Restated Certificate with the Delaware Secretary of State. The Company filed a preliminary information statement on Schedule 14C with the Securities and Exchange commission on November 11, 2019 related to the Restated Certificate.

On November 13, 2019 the Company's Board of Directors (the "Board") accepted the resignation of Sam Pitroda, as the Company's current Chief Executive Officer. Mr. Pitroda will continue to serve as the Company's Chairman of the Board. In connection with Mr. Pitroda's resignation as Chief Executive Officer, Mr. Pitroda agreed to the cancellation of an option grant approved of by the Board on May 31, 2018. Such cancelled option grant entitled him to an option to purchase 7,000,000 shares of the Company's common stock at an exercise price of \$2.08 per share and was subject to certain vesting conditions. In connection with Mr. Pitroda's agreement to continue to serve as Chairman of the Board, the Board, on November 13, 2019, also approved of a grant of a stock option to purchase 3,000,000 shares of the Company's common stock at an exercise price of \$0.54 per share. 1,500,000 shares subject to such option were immediately exercisable upon grant, and 500,000 shares subject to such option will vest on the first, second and third anniversary, respectively, of such grant.

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; our ability to become a Qualified Opportunity Zone Business; 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 1A Risk Factors of our Annual Report on Form 10-K for our prior fiscal year ended December 31, 2018. 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

We are focused on developing and commercializing our proprietary process for producing pure lithium metal.

Lithium is the lightest metal with the highest electrochemical potential, making it an attractive choice for use in lightweight, high energy density batteries. There is a substantial existing market for lithium metal in primary (non-rechargeable) batteries, and rechargeable batteries and many future opportunities in next-generation batteries (such as solid-state) currently under development.

Lithium occurs naturally only as a compound (such as lithium carbonate) in rocks or brine. Current commercial technology for refining these compounds into lithium metal require high temperatures to melt the compounds and produce hazardous emissions, such as chlorine gas. Our process refines the compounds into lithium metal at room temperature and without noxious emissions. As importantly, our process produces lithium metal at higher purity levels and in thinner layers with a more consistent surface than other commercially-available processes. For these reasons, we believe our process will enable more efficient and effective production of lithium battery components, such as lithium metal anodes. Our process may also have applicability in recycling lithium batteries.

In early 2019, the US Patent and Trademark Office granted us a patent on products obtained by our process. We have filed additional patent applications in the United States and in other countries for other aspects, enhancements and applications of our process.

To test and develop our process, we partnered for several years with university and government research laboratories, including City University of New York, Princeton, Cornell and Argonne National Laboratory. In 2018, we opened our own laboratory in Yonkers, NY, where our laboratory staff now conduct most of our research and development activities. At present, these activities are focused on continuing to improve our process and on testing the efficacy of the lithium we produce in various types of batteries. In addition, we are working to automate our process to allow us to produce greater quantities of lithium metal anodes for potential commercial customers.

In June 2019 we received a technology development grant from the New York State Energy Research and Development Authority (NYSERDA) which could provide us with up to approximately \$1.0 million in grant funding over time to assist in our research and developments activities. In addition, we may be obligated to pay a 1% royalty based upon future revenue generated by us.

Our headquarters and laboratory facility are located in an Opportunity Zone, as defined in the Tax Cuts and Jobs Act of 2017 (the "TCJA"). We are currently working with our advisors (including a firm that specializes in Opportunity Zone matters) to explore the possibility of being designated as a Qualified Opportunity Zone Business (QOZB) under the TCJA. If we were to be designated as a QOZB, qualified investors in our company may be eligible for certain favorable tax treatment on their investment in us. There can be no assurance that we will succeed in obtaining a designation as a QOZB.

Results of Operations

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Revenue was \$58,000 for the three months ended September 30, 2019. Revenue for the three months ended September 30, 2019 was the grant income that we received from NYSERDA.

General and administrative expenses were approximately \$1.1 million for the three months ended September 30, 2019 as compared to approximately \$1.2 million for the three months ended September 30, 2018.

Legal and professional fees were approximately \$60,000 for the three months ended September 30, 2019 as compared to approximately \$103,000 for the three months ended September 30, 2018. The decrease in legal and professional fees was mainly due to lower public company related costs.

Research and development expenses were approximately \$101,000 for the three months ended September 30, 2019 as compared to approximately \$372,000 for the three months ended September 30, 2018. The decrease in research and development expenses mostly relates to amortization of research and development prepaid expenses of \$79,000 and a \$125,000 gift to an university in support of research program during the three months ended September 30, 2018.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Revenue was \$58,000 for the nine months ended September 30, 2019. Revenue for the nine months ended September 30, 2019 was the grant income that we received from NYSERDA.

General and administrative expenses were approximately \$3.2 million for the nine months ended September 30, 2019 as compared to approximately \$3.4 million for the nine months ended September 30, 2018.

Legal and professional fees were approximately \$229,000 for the nine months ended September 30, 2019 as compared to approximately \$364,000 for the nine months ended September 30, 2018.

Research and development expenses were approximately \$399,000 for the nine months ended September 30, 2019 as compared to approximately \$837,000 for the nine months ended September 30, 2018. The decrease in research and development expenses mostly relates to amortization of research and development prepaid expenses of \$500,000 and a \$225,000 gift to an university in support of research program during the nine months ended September 30, 2018 and stock-based expenses of \$59,000 and \$(245,000) during the nine months ended September 30, 2019 and 2018, respectively.

Net loss attributable to non-controlling interest was \$0 for the nine months ended September 30, 2019 as compared to net loss attributable to non-controlling interest of approximately \$155,000 for the nine months ended September 30, 2018, with such change resulting from our purchase of all of the outstanding shares of our former subsidiary, Clean Lithium Corporation.

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 \$29.4 million at September 30, 2019, a net loss of approximately \$3.8 million and approximately \$1.2 million net cash used in operating activities for

the nine months ended September 30, 2019. 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

Long-term restricted cash deposits at September 30, 2019 includes \$35,000 of cash deposited with Chase Bank ("Chase") as collateral for an irrevocable standby letter of credit associated our Yonkers office lease. The letter of credit expires during 2025 which coincides with the expiration of the Yonkers office lease.

As of September 30, 2019, we had an accumulated deficit of approximately \$29.4 million and working capital deficit of approximately \$586,000.

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):

	Nine Months Ended September 30,	
	2019	2018
Net cash used in operating activities	\$ (1,169)	\$ (3,018)
Net cash used in investing activities	(56)	(180)
Net cash provided by financing activities	970	3,700
Net (decrease) increase in cash and restricted cash	<u>\$ (255)</u>	<u>\$ 502</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 restricted cash in the balance sheets. During the nine months ended September 30, 2019, \$15,000 restricted cash was released to the Company.

As of September 30, 2019, contractual minimal lease payments are as follows (in thousands):

	2019	\$	53
	2020		215
	2021		219
	2022		222
	2023		225
	2024		229
	2025		58
Total		\$	<u>1,221</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, 2019. 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, 2019, 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;
- The Company has an ineffective control environment, insufficient documentary evidence of the performance of key application control procedures and missing key application controls over financial reporting;
- 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;

- Inadequate controls over Company arrangements and contract management; and
- The Company's systems that impact financial information and disclosures have ineffective information technology controls.

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, 2019 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: November 14, 2019

By: /s/ Jerome I. Feldman

Jerome I. Feldman
Executive Chairman and Treasurer
(principal executive officer)

Date: November 14, 2019

By: /s/ Nathan J. Wasserman

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

