Ascent Solar Technologies, Inc.
Form 10-Q
April 28, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

or

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File No. 001-32919

Ascent Solar Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3672603**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
12300 Grant Street, Thornton, CO	**80241**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number including area code: 720-872-5000

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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 April 15, 2011, there were 32,367,505 shares of our common stock issued and outstanding.

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ASCENT SOLAR TECHNOLOGIES, INC.

Quarterly Report on Form 10-Q

Quarterly Period Ended March 31, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

CONDENSED BALANCE SHEETS

(Unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 16,186,076	$ 27,303,217
Investments	14,566,987	17,486,409
Trade receivables	895,797	485,026
Related party receivable		2,524
Inventories	3,418,930	1,876,834
Prepaid expenses and other current assets	463,751	510,348
Total current assets	35,531,541	47,664,358
Property, Plant and Equipment:	117,341,504	110,709,320
Less accumulated depreciation and amortization	(13,031,792)	(10,706,478)
	104,309,712	100,002,842
Other Assets:		
Restricted cash	6,356,383	3,259,350
Deposits on manufacturing equipment	6,971,873	8,770,693
Patents, net of amortization of $19,304 and $17,186, respectively	269,407	259,439
Other non-current assets	63,126	64,062
	13,660,789	12,353,544
Total Assets	$ 153,502,042	$ 160,020,744
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 1,799,181	$ 1,092,449
Related party payables	2,049	54,037
Accrued expenses	3,086,470	1,810,851
Accrued property, plant and equipment	3,310,297	2,385,301
Deferred contract revenue	117,162	250,705
Current portion of long-term debt	636,111	232,257
Current portion of long-term debt related party		350,000
Total current liabilities	8,951,270	6,175,600
Long-Term Debt	6,802,636	6,863,129
Long-Term Debt - Related Party		400,000

Accrued Warranty Liability	20,150	15,900
Commitments and Contingencies (Notes 4, 11 & 17)		
Stockholders Equity:		
Preferred stock, $0.0001 par value, 25,000,000 shares authorized, no shares outstanding		
Common stock, $0.0001 par value, 75,000,000 shares authorized; 32,367,505 and 32,265,587 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	3,237	3,226
Additional paid in capital	224,638,795	223,826,191
Deficit accumulated during the development stage	(86,917,665)	(77,263,076)
Accumulated other comprehensive income (loss)	3,619	(226)
Total stockholders equity	137,727,986	146,566,115
Total Liabilities and Stockholders Equity	$ 153,502,042	$ 160,020,744

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

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ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010	For the Period from Inception (October 18,2005) Through March 31, 2011
Revenues	$ 1,183,655	$ 216,196	$ 7,631,893
Costs and Expenses			
Research and development	8,595,173	4,558,319	64,159,091
Selling, general and administrative	2,453,868	2,131,105	31,145,370
Impairment loss			1,769,480
Total Costs and Expenses	11,049,041	6,689,424	97,073,941
Loss from Operations	(9,865,386)	(6,473,228)	(89,442,048)
Other Income/(Expense)			
Interest expense			(1,087,293)
Interest income	15,603	12,110	4,433,830
Realized gain on investments	433		27,907
Realized gain (loss) on forward contracts and foreign currency investments	194,761	(142,630)	(850,061)
	210,797	(130,520)	2,524,383
Net Loss	$ (9,654,589)	$ (6,603,748)	$ (86,917,665)
Net Loss Per Share (Basic and diluted)	$ (0.30)	$ (0.25)	
Weighted Average Common Shares Outstanding (Basic and diluted)	32,306,837	26,674,109	

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

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ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

CONDENSED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

For the Period from Inception (October 18, 2005) through March 31, 2011

	Common Stock		Preferred Stock				Accumulated Other	Total
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Comprehensive Income	Stockholders Equity
Balance at inception, October 18, 2005								
Proceeds from sale of common stock (11/05 @ $.04 per share)	972,000	$ 97		$	$ 38,783	$	$	$ 38,880
Stock based compensation:								
Founders stock					933,120			933,120
Stock options					26,004			26,004
Net loss						(1,207,234)		(1,207,234)
Balance, December 31, 2005	972,000	$ 97		$	$ 997,907	$ (1,207,234)	$	$ (209,230)
Transfer of assets at historical cost (1/06 @ $0.03 per share)	1,028,000	103			31,097			31,200
Proceeds from IPO (7/06 @ $5.50 per unit)	3,000,000	300			16,499,700			16,500,000
IPO costs					(2,392,071)			(2,392,071)
Stock issued to bridge loan lenders (7/06 @ $2.75 per share)	290,894	29			799,971			800,000
Exercise of stock options (9/06 & 12/06 @ $0.10 per share)	31,200	3			3,117			3,120
Stock based compensation stock options					348,943			348,943
Net loss						(4,180,912)		(4,180,912)
Balance, December 31, 2006	5,322,094	$ 532		$	$ 16,288,664	$ (5,388,146)	$	$ 10,901,050
Exercise of stock options (1/07 - 12/07 @ $.10) (7/07 - 12/07 @ $4.25) (9/07 - 12/07 @ $2.51 - $2.76)	169,963	17			346,417			346,434
Conversion of Class A public warrants at $6.60	3,098,382	310			20,449,011			20,449,321
Redemption of Class A public warrants at $0.25 per share					(48,128)			(48,128)
Conversion of Class B public warrants at $11.00 per share	11,000	1			120,999			121,000
Stock based compensation stock options					1,734,879			1,734,879
Proceeds from private placement:								

Common stock (3/07 @ $5.77 and 8/07 @ $7.198)	2,534,462	254		15,962,003			15,962,257
Class B public warrants (8/07 @ $1.91)				3,754,468			3,754,468
Private placement costs				(75,807)			(75,807)
Exercise of representative s warrants (9/07 - 11/07 @ $6.60 per unit)	300,000	30		1,979,970			1,980,000
Net loss					(6,503,419)		(6,503,419)
Balance, December 31, 2007	11,435,901	$ 1,144	$	$ 60,512,476	$ (11,891,565)	$	$ 48,622,055

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

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ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

CONDENSED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

(Continued)

(Unaudited)

For the Period from Inception (October 18, 2005) through March 31, 2011

	Common Stock		Preferred Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders
	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Equity
Balance, December 31, 2007	11,435,901	$ 1,144		$	$ 60,512,476	$ (11,891,565)	$	$ 48,622,055
Components of comprehensive loss								
Unrealized gain on investments							331,068	331,068
Net loss						(13,215,076)		(13,215,076)
Total comprehensive loss								(12,884,008)
Exercise of stock options (1/08 - 12/08 @ $0.10, $2.73, $2.90 & $4.25)	133,137	13			120,520			120,533
Issuance of Restricted Stock	69,846	7			(7)			
Conversion of Class B public warrants at $11.00 per share	98,800	10			1,086,790			1,086,800
Stock based compensation					1,881,399			1,881,399
Proceeds from private placement:								
Common stock (3/08 @ $9.262 & 10/08 @ $6.176)	4,763,698	476			36,647,217			36,647,693
Class B public warrants (3/08 @ $3.954)					6,681,884			6,681,884
Exercise of representative s warrants (1/08 @ $6.60 per unit)	75,000	8			494,992			495,000
Proceeds from shareholder under Section 16(b)					148,109			148,109
Proceeds from secondary public offering (5/08 @ $14.00)	4,370,000	437			61,179,563			61,180,000
Costs of secondary public offering					(4,361,358)			(4,361,358)
Balance, December 31, 2008	20,946,382	$ 2,095		$	$ 164,391,585	$ (25,106,641)	$ 331,068	$ 139,618,107
Components of comprehensive loss								
Unrealized loss on investments							(334,080)	(334,080)
Net loss						(20,922,717)		(20,922,717)

Total comprehensive loss							(21,256,797)
Exercise of stock options (1/09 - 12/09 @ $0.10, $2.76 & $4.25)	105,169	10		339,606			339,616
Issuance of Restricted Stock	147,679	15		(15)			
Stock based compensation				2,676,957			2,676,957
Proceeds from private placement:							
Common stock (10/09 @ $6.50)	769,230	77		4,999,918			4,999,995
Proceeds from public offering (10/09 @ $6.50)	4,615,385	461		29,999,542			30,000,003
Costs of public offering				(2,062,866)			(2,062,866)
Balance, December 31, 2009	26,583,845	$ 2,658	$	$ 200,344,727	$ (46,029,358)	$ (3,012)	$ 154,315,015
Components of comprehensive loss							
Unrealized loss on investments						2,786	2,786
Net loss					(31,233,718)		(31,233,718)
Total comprehensive loss							(31,230,932)
Proceeds from public offering (11/11 @ $4.15)	5,250,000	525		21,786,975			21,787,500
Costs of public offering				(1,409,937)			(1,409,937)
Exercise of stock options (1/10 12/10 @ $0.10, $2.90, $2.73, $2.76 & $3.17)	161,330	16		390,985			391,001
Issuance of Restricted Stock	270,412	27		(27)			
Stock based compensation				2,713,468			2,713,468
Balance, December 31, 2010	32,265,587	$ 3,226		$ 223,826,191	$ (77,263,076)	$ (226)	$ 146,566,115
Components of comprehensive loss							
Unrealized loss on investments						3,845	3,845
Net loss					(9,654,589)		(9,654,589)
Total comprehensive loss							(9,650,744)
Costs of public offering				(4,859)			(4,859)
Exercise of stock options (1/11 3/11 @ $0.10)	55,000	6		5,494			5,500
Issuance of Restricted Stock	46,918	5		(5)			
Stock based compensation				811,974			811,974
Balance, March 31, 2011	32,367,505	$ 3,237		$ 224,638,795	$ (86,917,665)	$ 3,619	$ 137,727,986

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

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ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010	For the Period from inception (October 18, 2005) through March 31, 2011
Operating Activities:			
Net loss	$ (9,654,589)	$ (6,603,748)	$ (86,917,665)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	2,328,369	994,843	13,133,431
Stock based compensation	811,974	520,027	11,126,744
Realized loss (gain) on forward contracts and foreign currency investments	(194,761)	142,630	850,061
Charge off of deferred financing costs to interest expense			198,565
Charge off of bridge loan discount to interest expense			800,000
Impairment loss			1,769,480
Forfeited down payments on equipment			74,766
Changes in operating assets and liabilities:			
Accounts receivable	(410,771)	16,163	(895,797)
Related party receivables	2,524	(1,256)	
Inventories	(1,542,096)		(3,418,930)
Prepaid expenses and other current assets	46,597	106,733	(463,751)
Accounts payable	708,782	(210,112)	1,801,230
Related party payable	(54,037)	(96,963)	
Accrued expenses	548,127	(650,906)	2,358,978
Deferred contract revenue	(133,543)		117,162
Warranty reserve	4,250		20,150
Net cash used in operating activities	(7,539,174)	(5,782,589)	(59,445,576)
Investing Activities:			
Purchases of available-for-sale-securities	(13,848,658)	(25,880,603)	(892,113,091)
Maturities and sales of available-for-sale securities	16,771,924	43,411,040	877,549,724
Purchase of property, plant and equipment	(2,986,116)	(702,260)	(41,885,405)
Deposits on manufacturing equipment		(2,367,495)	(79,948,708)
Restricted cash for manufacturing equipment	(3,097,033)		(6,356,383)
Patent activity costs	(12,086)	(32,456)	(263,754)
Deposit on building			(100,000)
Net cash provided by (used in) investing activities	(3,171,969)	14,428,226	(143,117,617)
Financing Activities:			
Proceeds from bridge loan financing			1,600,000
Repayment of bridge loan financing			(1,600,000)
Payment of debt financing costs			(273,565)
Payment of equity offering costs	(4,859)		(10,306,899)
Proceeds from debt			7,700,000
Repayment of debt	(406,639)	(53,031)	(661,253)
Repayment of debt-related party		(350,000)	(700,000)
Proceeds from shareholder under Section 16(b)			148,109

Proceeds from issuance of stock and warrants	5,500	395,766	222,891,005
Redemption of Class A warrants			(48,128)
Net cash provided by (used in) financing activities	(405,998)	(7,265)	218,749,269
Net change in cash and cash equivalents	(11,117,141)	8,638,372	16,186,076
Cash and cash equivalents at beginning of period	27,303,217	21,717,215	
Cash and cash equivalents at end of period	$ 16,186,076	$ 30,355,587	$ 16,186,076
Supplemental Cash Flow Information:			
Cash paid for interest	$	$	$ 424
Cash paid for income taxes	$	$	$
Non-Cash Transactions:			
ITN initial contribution of assets for equity	$	$	$ 31,200
Note with ITN and related capital expenditures	$	$ 1,100,000	$ 1,100,000

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

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ASCENT SOLAR TECHNOLOGIES, INC.

(A Development Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. ORGANIZATION

Ascent Solar Technologies, Inc. (Ascent or the Company) was incorporated on October 18, 2005 from the separation by ITN Energy Systems, Inc. (ITN) of its Advanced Photovoltaic Division and all of that division s key personnel and core technologies. ITN, a private company incorporated in 1994, is an incubator dedicated to the development of thin-film, photovoltaic (PV) battery, fuel cell and nano technologies. Through its work on research and development contracts for private and governmental entities, ITN developed proprietary processing and manufacturing know-how applicable to PV products generally, and to Copper-Indium-Gallium-diSelenide (CIGS) PV products in particular. ITN formed Ascent to commercialize its investment in CIGS PV technologies. In January 2006, in exchange for 1,028,000 shares of common stock of Ascent, ITN assigned to Ascent certain CIGS PV technologies and trade secrets and granted to Ascent a perpetual, exclusive, royalty-free worldwide license to use, in connection with the manufacture, development, marketing and commercialization of CIGS PV to produce solar power, certain of ITN s existing and future proprietary and control technologies that, although non-specific to CIGS PV, Ascent believes will be useful its production of PV modules for its target markets. Upon receipt of the necessary government approvals and pursuant to novation in early 2007, ITN assigned government-funded research and development contracts to Ascent and also transferred the key personnel working on the contracts to Ascent. Today, ITN still provides Ascent a limited amount of technical services.

NOTE 2. BASIS OF PRESENTATION

The Company s activities to date have consisted substantially of raising capital, research and development, establishment of its initial production line (FAB1) and development of its expansion plant (FAB2). Revenues to date have been primarily generated from the Company s governmental research and development (R&D) contracts and have not been significant. The Company s planned principal operations to commercialize flexible PV modules have commenced, but have generated limited revenue to date. Accordingly, the Company is considered to be in the development stage and has presented its financial statements under the provisions of *ASC Topic 915 - Development Stage Entities* which requires additional disclosure of inception to date activity in the Condensed Statements of Operations, Condensed Statements of Stockholders Equity and Comprehensive Income (Loss) and Condensed Statements of Cash Flows.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these interim financial statements do not include all of the information and footnotes typically found in U.S. GAAP audited annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. The Condensed Balance Sheet at December 31, 2010 has been derived from the audited financial statements as of that date but does not include all of the information and footnotes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. These condensed financial statements and notes should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company s significant accounting policies were described in Note 3 to the audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. With the exception of those discussed below, there have been no significant changes to these policies and no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2011, that are of significance or potential significance to the Company.

Recent Accounting Pronouncements: In April 2010, the FASB issued ASU 2010-17, *Revenue Recognition Milestone Method (Topic 605)*. This ASU requires new disclosures and provides a consistent framework for applying the milestone method of revenue recognition. ASU

2010-17 states that a vendor may recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered

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substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010; early adoption is permitted. The adoption of ASU 2010-17 did not have a material impact on the Company s financial position, results of operations or cash flows.

NOTE 4. LIQUIDITY AND CONTINUED OPERATIONS

As of March 31, 2011, the Company had approximately $30.8 million in cash and investments. An additional $6.4 million in cash is restricted for future payments on equipment. As discussed in Note 2, the Company is in the development stage and is currently incurring significant losses from operations as it continues to ramp up production. The Company made cash payments of approximately $3.0 million in the first quarter 2011 for property, plant and equipment. The Company expects to make payments on equipment for the FAB2 production line of approximately $6.3 million (included in Restricted Cash) during the remaining three quarters of 2011. The remaining obligation for equipment beyond 2011 is approximately $6.5 million.

On March 31, 2011, the Company announced a change in strategy that will focus the Company s solar module technology on applications for emerging and specialty markets. The change in strategy resulted in a change in leadership and sizing the company to a new cost structure, primarily through the termination of a portion of the Company s workforce. The Company incurred a charge of approximately $450,000 in the quarter ended March 31, 2011, comprised of severance costs. This charge has been recorded under Accrued expenses in the Condensed Balance Sheets and expensed as Research and development and Selling, general and administrative in the Condensed Statement of Operations in the amounts of approximately $72,000 and $378,000, respectively. The Company expects to make payments of approximately $185,000 during the quarter ended June 30, 2011, and the remaining estimated amount of $265,000 over the following ten months. The Company expects the actions taken to reduce monthly operating costs to approximately $1.6 million per month.

The Company commenced limited production on the FAB1 production line in the first quarter of 2009 and the FAB2 production line in 2010. The Company does not expect that sales revenue and cash flows from the FAB1 and FAB2 production lines will be sufficient to support operations and cash requirements until actual full production capacity on the FAB2 production line is achieved.

The Company expects current cash and investments will be sufficient to fund operations and capital expenditures for the next twelve months. Changes in the level of expected operating losses, the timing of planned capital expenditures or other factors may negatively impact cash flows and reduce current cash and investments faster than anticipated. The Company may need to raise additional capital in the future. There is no assurance that we will be able to raise additional capital on acceptable terms or at all.

NOTE 5. RESTRICTED CASH

The Company established irrevocable letters of credit with its bank in favor of equipment vendors in the approximate amount of $3.3 million and $3.1 million in October 2010 and February 2011, respectively. The letters of credit are collateralized by interest bearing accounts and the funds are expected to be released for payment during 2011. Both amounts are reflected as Restricted cash under Other Assets in the Condensed Balance Sheets.

NOTE 6. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The following table represents the Company s fair value hierarchy for its financial assets measured at fair value on a recurring basis and its classification on the balance sheet as of March 31, 2011:

	Level 1	Level 2	Level 3	Total	Cash Equivalents	Investments
Financial Assets:						
U.S. government securities	$	$ 12,667,669	$	$ 12,667,669	$	$ 12,667,669
Money market funds	717,854			717,854	717,854	
Corporate securities		5,048,980		5,048,980	3,149,662	1,899,318
	$ 717,854	$ 17,716,649	$	$ 18,434,503	$ 3,867,516	$ 14,566,987

As of the balance sheet date, the Company held securities issued by U.S. government agencies (AAA/Aaa ratings) and A-1/A-1+ rated corporate notes. Approximately $17.7 million of these securities are classified as Level 2 because the Company does not believe that it is possible to obtain a firm, up-to-date price of such securities from, for example, a major exchange; and as a result, the Company relies on its brokerage firm and investment manager to report its fair value of such securities at the end of each month. Investments have not been transferred between levels.

NOTE 7. INVESTMENTS

Securities held by the Company as of March 31, 2011 are classified as available-for-sale and consisted of U.S. government securities and corporate securities. Such investments are carried at fair value, based on quoted market prices with the unrealized holding gains and losses reported as Accumulated other comprehensive income (loss) in the stockholders equity section of the Condensed Balance Sheets. Realized gains and losses on sales of securities are computed using the specific identification method. The Company evaluates declines in market value for potential impairment. If the decline results in a value below cost and is determined to be other than temporary, the investment is written down to its impaired value and a new cost basis is established. A summary of available-for-sale securities as of March 31, 2011 is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government securities	$ 12,663,870	$ 3,964	$ (165)	$ 12,667,669
Corporate securities	1,899,509		(191)	1,899,318
Total	$ 14,563,379	$ 3,964	$ (356)	$ 14,566,987

Contractual maturities of available-for-sale investments as of March 31, 2011 were all one year or less as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
One year or less	$ 14,563,379	$ 3,964	$ (356)	$ 14,566,987

The Company typically invests in highly rated securities with low probabilities of default. The Company s investment policy specifies minimum investment grade criteria, types of acceptable investments, concentration limitations and duration guidelines.

All securities having an unrealized loss as of March 31, 2011 have been in a loss position for less than twelve months.

NOTE 8. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts generated from government contracts and sales of PV modules. Accounts receivable totaled $895,797 and $485,026 as of March 31, 2011 and December 31, 2010, respectively. All accounts receivable as of March 31, 2011 are deemed collectible.

Provisional Indirect Cost Rates During 2010 and 2011, the Company billed the government under cost-based R&D contracts at provisional billing rates which permit the recovery of indirect costs. These rates are subject to audit on an annual basis by the government agencies cognizant audit agency. The cost audit will result in the negotiation and determination of the final indirect cost rates. In the opinion of management, re-determination of any cost-based contracts will not have a material effect on the Company s financial position or results of operations.

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Contract Status The Company has authorized but not completed contracts on which work is in process as follows as of March 31, 2011 and December 31, 2010:

	As of March 31, 2011	As of December 31, 2010
Total contract price of initial contract awards, including exercised options and approved change orders (modifications)	$ 11,427,581	$ 11,426,858
Completed to date	(8,171,504)	(7,289,426)
Authorized backlog	$ 3,256,077	$ 4,137,432

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment as of March 31, 2011 and December 31, 2010:

	As of March 31, 2011	As of December 31, 2010
Building	$ 19,506,814	$ 19,506,814
Furniture, fixtures, computer hardware and computer software	1,151,745	1,151,745
Manufacturing machinery and equipment	78,688,610	72,111,366
Leasehold improvements	884,709	884,709
Net depreciable property, plant and equipment	100,231,878	93,654,634
Manufacturing machinery and equipment in progress	17,109,626	17,054,686
Property, plant and equipment	117,341,504	110,709,320
Less: Accumulated depreciation and amortization	(13,031,792)	(10,706,478)
Net property, plant and equipment	$ 104,309,712	$ 100,002,842

As of March 31, 2011, approximately $17.1 million of equipment for the FAB2 production line is reflected above as Manufacturing machinery and equipment in progress until the Company completes qualification of the equipment. Depreciation and amortization expense for the three months ended March 31, 2011 and 2010 was $2,325,314 and $993,564, respectively. Depreciation and amortization expense is recorded under Research and development expense and Selling, general and administrative expense in the Condensed Statements of Operations.

The Company incurred and capitalized interest costs related to the FAB2 building loan as follows during the three months ended March 31, 2011 and the year ended December 31, 2010.

	As of March 31, 2011	As of December 31, 2010
Interest cost incurred	$ 117,701	$ 479,898
Interest cost capitalized	(117,701)	(479,898)
Interest expense, net	$	$

NOTE 10. INVENTORIES

Inventories consisted of the following at March 31, 2011 and December 31, 2010:

	As of March 31, 2011	As of December 31, 2010
Raw materials	$ 2,789,721	$ 1,468,425
Work in process	354,573	317,468
Finished goods	274,636	90,941
Total	$ 3,418,930	$ 1,876,834

NOTE 11. DEPOSITS ON MANUFACTURING EQUIPMENT

As of March 31, 2011, deposits on manufacturing equipment related to the purchase of equipment not yet delivered to the FAB2 production line were approximately $7.0 million. The equipment purchase agreements are conditional purchase obligations that have milestone-based deliverables, such as the Company s acceptance of design requirements and successful installation and commissioning of the equipment.

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NOTE 12. DEBT

On February 8, 2008, the Company acquired an approximately 120,000 square foot manufacturing and office facility in Thornton, Colorado, for approximately $5.5 million. The purchase was financed by a promissory note, deed of trust and construction loan agreement (the Construction Loan) with the Colorado Housing and Finance Authority (CHFA), which provided the Company borrowing availability of up to $7.5 million for the building and building improvements. The Company paid approximately $1.3 million in cash and was advanced approximately $4.2 million from CHFA to fund the initial acquisition of the property. The Construction Loan terms required payments of interest at 6.6% on the outstanding balance. On January 29, 2009, the Construction Loan was converted to a permanent loan pursuant to a Loan Modification Agreement between the Company and CHFA (the Permanent Loan). The Permanent Loan has an interest rate of 6.6% and the principal will be amortized over a period of approximately 19 years and one month consistent with a maturity date of 20 years after the incurrence of the promissory note and Construction Loan. A loan commitment fee of $75,000 was paid in 2008 and is reflected on the balance sheet in non-current assets. This fee is being amortized into interest expense over the 20 year life of the Loan. The Company will incur a prepayment penalty if the Permanent Loan is prepaid prior to December 31, 2015 equal to the sum of (i) the present value of the total principal and interest payments due under the Note from the prepayment date to December 31, 2015, and (ii) the present value of the remaining principal balance of the Note that would have been due as of December 31, 2015, less the principal amount of the Note outstanding. Further, pursuant to certain negative covenants contained in the deed of trust associated with the Permanent Loan, until the Permanent Loan is repaid and all of the Company s secured obligations are performed in full, the Company may not, among other things, without CHFA s prior written consent (which by the terms of the deed of trust is subject to a reasonableness requirement): create or incur additional indebtedness (other than obligations created or incurred in the ordinary course of business); merge or consolidate with any other entity; or make loans or advances to the Company s officers, shareholders, directors or employees.

On January 7, 2010, the Company and ITN entered into an equipment purchase agreement whereby the Company purchased seven research and development vacuum and deposition chambers for $1,100,000 from ITN. Payments in the amount of $350,000 were remitted to ITN in January 2010 and January 2011. A final payment, without interest, in the amount of $400,000 is due on January 15, 2012.

As of March 31, 2011, future principal payments are due as follows:

2011	$ 175,618
2012	648,059
2013	264,935
2014	282,960
2015	302,210
Thereafter	5,764,965
	$ 7,438,747

NOTE 13. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is actively engaged in purchasing manufacturing equipment internationally and is exposed to foreign currency risk. In July 2008 and March 2009, the Company entered into fair value hedges utilizing forward contracts designed to match scheduled contractual payments to equipment suppliers which are denominated in Euros and Yen. The total notional value of the Euro forward contracts was approximately 6.4 million with various contract settlement dates beginning September 15, 2008 through July 31, 2009. The total notional value of the Yen forward contracts was approximately ¥521.4 million with contract settlement dates of March and April 2009. The Company elected not to use hedge accounting and accordingly, the unrealized gain and loss on each forward contract was determined at each balance sheet date based upon current market rates and is reported as an Unrealized gain or loss on forward contracts in the Condensed Statements of Operations. Upon settlement of the forward contracts, a realized gain or loss is reported in the Condensed Statements of Operations as Realized gain (loss) on forward contracts and foreign currency investments.

Although the hedging activity is designed to fix the dollar amount to be expended, the asset purchased is recorded at the spot rate in effect as of the date of the payment to the supplier. The difference between the spot rate and the forward rate has been reported as a gain or loss on forward contracts. As of March 31, 2011, the Company held two foreign currency options hedging approximately $1.7 million in equipment payments to be remitted in Yen. Derivative financial instruments are not used for speculative or trading purposes.

Included in Restricted cash at March 31, 2011 is $3.1 million in Euros. Accounts denominated in Euros are held in the Company s bank account for future payments to equipment suppliers. Period end foreign currency transaction adjustments related to the Euros on deposit in the Company s bank account are reflected as Realized gain (loss) on forward contracts and foreign currency investments in the Condensed Statements of Operations.

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NOTE 14. STOCKHOLDERS EQUITY

The Company s authorized capital stock consists of 75,000,000 shares of common stock, $0.0001 par value, and 25,000,000 shares of preferred stock, $0.0001 par value. Each share of common stock has the right to one vote.

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

Initial Public Offering: The Company completed its initial public offering (IPO) of 3,000,000 units on July 14, 2006. Each unit consisted of one share of common stock, one redeemable Class A warrant and two non-redeemable Class B warrants. The IPO price was $5.50 per unit. The gross proceeds of the offering were $16,500,000. Ascent s net proceeds from the offering, after deducting the underwriter s discount of $1,097,250 and other fees and expenses, aggregated approximately $14,000,000.

The common stock and Class A and Class B warrants traded only as a unit through August 9, 2006, after which the common stock, the Class A warrants and the Class B warrants began trading separately.

Class A warrants. On May 24, 2007, the Company publicly announced that it intended to redeem its outstanding Class A warrants. The Class A warrants became eligible for redemption by the Company at $0.25 per warrant on April 16, 2007, when the last reported sale price of the Company s common stock had equaled or exceeded $9.35 for five consecutive trading days. There were 3,290,894 Class A warrants issued in connection with the Company s IPO, including the warrants issued to the Bridge Noteholders. The Class A warrants were exercisable at a price of $6.60 per share.

The exercise period ended June 22, 2007. During the exercise period, 3,098,382 Class A warrants (94.1% of the total outstanding) were exercised for an equal number of shares of common stock, and the Company received $20,449,321 in proceeds from the warrant exercises. At the end of the exercise period, 192,512 Class A warrants remained outstanding. The Company has set aside funds with its warrant transfer agent to redeem the outstanding warrants for $0.25 per warrant, or a total cost of $48,128. As of March 31, 2011, 9,090 Class A warrants remained unredeemed.

Class B warrants. The Class B warrants included in the units became exercisable on August 10, 2006. The exercise price of a Class B public warrant is $11.00. The Class B warrants expire on July 10, 2011. The Company does not have the right to redeem the Class B warrants. During the years ended December 31, 2008 and 2007, 98,800 and 11,000 Class B warrants, respectively were exercised resulting in proceeds to the Company of approximately $1.09 million and $121,000 respectively. As of March 31, 2011, 10,502,583 Class B warrants were outstanding.

IPO warrants. Warrants to purchase 300,000 units at $6.60 were issued to underwriters of the Company s IPO in July 2006 (representative s warrants). A unit consists of one share of common stock, one Class A redeemable warrant and two Class B non-redeemable warrants. The warrants expire on July 10, 2011. Upon exercise of the representative s warrants, holders will be forced to choose whether to exercise the underlying Class A warrants or hold them for redemption. As noted above, on June 25, 2007, any Class A warrants then outstanding expired and became redeemable.

Representative s warrants to purchase 150,000 units have been exercised as of December 31, 2007, as have the 150,000 underlying Class A warrants resulting in an issuance of 300,000 shares of common stock and 300,000 Class B warrants for total proceeds to the Company of $1.98 million. During the year ended December 31, 2008 an additional 37,500 units were exercised, as have the 37,500 underlying Class A warrants resulting in an issuance of 75,000 shares of common stock and 75,000 Class B warrants for total proceeds to the Company of $495,000. To the extent that holders of representative s warrants are entitled to receive Class A warrants upon exercise of the representative s warrants, those warrants will be immediately subject to call for redemption at $0.25 per warrant. The holders will then have to decide whether to exercise their Class A warrants or hold them for redemption. As of March 31, 2011, 112,500 representative s warrants remained unexercised.

Private Placement of Securities: The Company completed a private placement of securities with Norsk Hydro Produksjon AS (Hydro) in March 2007. Hydro is a subsidiary of Norsk Hydro ASA. Hydro purchased 1,600,000 shares of the Company s common stock (representing 23% of the Company s then outstanding common stock post transaction) for an aggregate purchase price of $9,236,000. The Company recorded $75,807 of costs associated with the private placement as a reduction to Additional paid in capital on the Company s Balance Sheets. In connection with the private placement, Hydro was granted options to purchase additional shares and warrants.

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In August 2007, Hydro acquired an additional 934,462 shares of the Company s common stock and 1,965,690 Class B warrants through the exercise of an option previously granted to Hydro and approved by Ascent s stockholders in June 2007. Gross proceeds to the Company were $10.48 million, and reflected per share and per warrant purchase prices equal to the average of the closing bids of each security, as reported by NASDAQ, for the five consecutive trading days preceding exercise. After acquiring these additional shares, Hydro again held 23% of the then outstanding common shares, after its holdings were diluted as the result of the redemption of Class A warrants and 23% of total outstanding Class B warrants. Pursuant to a second option that was approved by Ascent s stockholders in June 2007, beginning December 13, 2007, Hydro was entitled to purchase additional shares and Class B warrants up to a maximum of 35% of each class of security.

In March 2008, Hydro acquired an additional 2,341,897 shares of the Company s common stock and 1,689,905 Class B warrants through the exercise of the second option previously granted to Hydro and approved by Ascent s stockholders in June 2007, resulting in Hydro ownership of approximately 35% of each class of security. Gross proceeds to the Company were $28.4 million, and reflected per share and per warrant purchase prices were equal to the average of the closing bids of each security, as reported by NASDAQ, for the five consecutive trading days preceding exercise. As a result of the Company s Secondary Public Offering in May 2008, Hydro s holdings were diluted to approximately 27% of the then outstanding common stock.

On October 8, 2008, Hydro acquired an additional 2,421,801 shares of the Company s common stock. The purchase resulted in a return to Hydro s ownership of approximately 35% of the Company s then outstanding common stock. Gross proceeds to the Company from the follow on investment were approximately $15 million, and reflect per share purchase prices equal to the average of the closing bids of each security, as reported by NASDAQ, for the five consecutive trading days preceding the purchase. Until June 15, 2009, the second option entitles Hydro to purchase from the Company additional restricted shares of common stock and Class B warrants to maintain ownership of up to 35% of issued and outstanding common stock and Class B warrants.

On September 29, 2009, the Company entered into a securities purchase agreement with Hydro under which the Company agreed to sell, and Hydro agreed to purchase, 769,230 restricted shares of the Company s common stock for approximately $5.0 million in a private placement exempt from registration under the Securities Act. The restricted shares were sold to Hydro at a per share price equal to $6.50. The private placement closed on October 6, 2009, at which time the Company and Hydro executed a Registration Rights Agreement, pursuant to which Hydro was granted demand and piggy-back registration rights.

Secondary Public Offerings: On May 15, 2008, the SEC declared effective the Company s Registration Statement on Form S-3 (Reg. No. 333-149740), and the Company completed a secondary public offering of 4,370,000 shares of common stock, which included 570,000 shares issued upon the underwriter s exercise of their overallotment in full. The offering price of $14.00 per share resulted in proceeds of $61.2 million. After deducting underwriting discounts and commissions and offering expenses of approximately $4.4 million, net proceeds to the Company were approximately $56.8 million.

On October 1, 2009, the Company entered into an underwriting agreement with Barclays Capital Inc. providing for the sale in a firm commitment offering of 4,615,385 shares of the Company s common stock at a price to the public of $6.50 per share. The offer and sale of the shares were registered under the Securities Act of 1933, as amended, pursuant to the Company s Registration Statement on Form S-3 (File No. 333-156665), which became effective with the SEC on January 16, 2009. The offering closed on October 6, 2009 with net proceeds to the Company of approximately $27.9 million.

On November 11, 2010, the Company entered into an underwriting agreement with Cowen and Company, LLC, Rodman & Renshaw LLC and ThinkEquity LLC providing for the sale in a firm commitment offering of 5,250,000 shares of the Company s common stock at a price to the public of $4.15 per share. The offer and sale of the shares were registered under the Securities Act of 1933, as amended, pursuant to the Company s Registration Statement on Form S-3 (File No. 333-156665), which became effective with the SEC on January 16, 2009. The offering closed on November 16, 2010 with net proceeds to the Company of approximately $20.4 million.

On February 28, 2011, the Company entered into an At-The-Market Equity Offering Sales Agreement with Stifel, Nicolaus & Company, Incorporated, or Stifel Nicolaus Weisel, under which the Company may issue and sell from time to time up to $25,000,000 of common stock. The Company filed a prospectus supplement to the prospectus dated January 16, 2009. Sales of common stock, if any, will be made at market prices by any method that is deemed to be an at the market offering as defined in Rule 415 under the Securities Act, including sales made directly on the NASDAQ Global Market and any other trading market for the Company s common stock, and sales to or through a market maker other than on an exchange. The aggregate compensation payable to Stifel Nicolaus Weisel as sales agent shall be equal to 3% of the gross sales price of the shares sold. The offering of common stock pursuant to the sales agreement will terminate upon the earlier of (1) the sale of all the shares of our common stock offered by this prospectus supplement and the accompanying prospectus or (2) the termination of the sales agreement by the Company or by Stifel Nicolaus Weisel. As of March 31, 2011, no shares had been sold under this facility.

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Other Proceeds: During the three months ended March 31, 2008, the Company received proceeds from a greater than 10% stockholder equal to the profits realized by such stockholder on the sale of the Company s stock that was purchased and sold by such stockholder within six months of such sale. Under Section 16(b) of the Securities Exchange Act of 1934, as amended, the profit realized from this transaction by the greater than 10% stockholder was required be disgorged to the Company. The Company recorded the proceeds received on this transaction of $148,109 as Additional paid in capital and is reflected on the Statements of Stockholders Equity.

As of March 31, 2011, the Company had 32,367,505 shares of common stock and no shares of preferred stock outstanding. The Company has not declared or paid any dividends through March 31, 2011.

NOTE 15. EQUITY PLANS AND SHARE-BASED COMPENSATION

Stock Option Plan: The Company s 2005 Stock Option Plan, as amended (the Stock Option Plan) provides for the grant of incentive or non-statutory stock options to the Company s employees, directors and consultants. Upon recommendation of the Board of Directors, the stockholders approved an increase in the total shares of common stock reserved for issuance under the Stock Option Plan at various times from 1,000,000 to 3,700,000 currently.

Restricted Stock Plan: The Company s 2008 Restricted Stock Plan, as amended (the Restricted Stock Plan) was adopted by the Board of Directors and was approved by the stockholders on July 1, 2008. The Restricted Stock Plan initially reserved up to 750,000 shares of the Company s common stock for restricted stock awards and restricted stock units to eligible employees, directors and consultants of the Company. Upon recommendation of the Board of Directors, the stockholders approved an increase in the total shares of common stock reserved for issuance under the Restricted Stock Plan from 750,000 to 1,550,000 shares.

The Stock Option Plan and the Restricted Stock Plan are administered by the Compensation Committee of the Board of Directors, which determines the terms of the option and share awards, including the exercise price, expiration date, vesting schedule and number of shares. The term of any incentive stock option granted under the Stock Option Plan may not exceed ten years, or five years for options granted to an optionee owning more than 10% of the Company s voting stock. The exercise price of an incentive stock option granted under the Option Plan must be equal to or greater than the fair market value of the shares of the Company s common stock on the date the option is granted. An incentive stock option granted to an optionee owning more than 10% of the Company s voting stock must have an exercise price equal to or greater than 110% of the fair market value of the Company s common stock on the date the option is granted. The exercise price of a non-statutory option granted under the Option Plan must be equal to or greater than 85% of the fair market value of the shares of the Company s common stock on the date the option is granted.

Grants Outside Existing Equity Plans: Prior to the adoption of the Restricted Stock Plan, the Board of Directors granted 40,000 restricted stock awards in connection with an executive employment agreement. In July 2009, the Board of Directors granted an inducement award (as defined in NASDAQ Rule 5635(c) (4)) made outside of the existing Stock Option Plan for 200,000 stock options.

Share Based Compensation: The Company measures share-based compensation cost at the grant date based on the fair value of the award and recognizes this cost as an expense over the grant recipients requisite service periods for all awards made to employees, officers, directors and consultants.

The share-based compensation expense recognized in the Condensed Statements of Operations for the three months ended March 31, 2011 and 2010 was as follows:

	For the three months ended March 31, 2011	2010
Share-based compensation cost included in:		
Research and development	$	