Energous Corp
Form 10-Q
August 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

OR

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

COMMISSION FILE NUMBER 001-36379

ENERGOUS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**46-1318953**
(State of incorporation)	*(I.R.S. Employer Identification No.)*

3590 North First Street, Suite 210, San Jose, CA 95134

(Address of principal executive office) (Zip code)

(408) 963-0200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (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 þ 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 þ 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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of August 13, 2015, there were 13,001,412 shares of our Common Stock, par value $0.00001 per share, outstanding.

ENERGOUS CORPORATION

FORM 10-Q

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Energous Corporation

CONDENSED BALANCE SHEETS

	As of June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$20,508,268	$31,494,592
Prepaid expenses and other current assets	665,020	416,580
Prepaid rent, current	80,784	80,784
Total current assets	21,254,072	31,991,956
Property and equipment, net	1,613,910	1,515,299
Prepaid rent, non-current	258,628	299,020
Other assets	32,555	22,648
Total assets	$23,159,165	$33,828,923
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$817,341	$1,716,011
Accrued expenses	1,044,669	792,349
Deferred revenue	75,000	-
Total current liabilities	1,937,010	2,508,360
Commitments and contingencies		
Stockholders’ equity		
Preferred Stock, $0.00001 par value, 10,000,000 shares authorized at June 30, 2015 and December 31, 2014; no shares issued or outstanding	-	-
Common Stock, $0.00001 par value, 50,000,000 shares authorized at June 30, 2015 and December 31, 2014; 12,971,953 and 12,781,502 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively.	129	127
Additional paid-in capital	85,439,365	82,465,914

Accumulated deficit	(64,217,339)	(51,145,478)
Total stockholders' equity	21,222,155	31,320,563
Total liabilities and stockholders' equity	$23,159,165	$33,828,923

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

1

Energous Corporation

CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	$225,000	$-	$425,000	$-
Operating expenses:				
Research and development	3,779,852	1,556,493	8,055,416	2,485,706
General and administrative	1,910,702	1,133,101	3,722,844	1,802,390
Marketing	684,416	805,429	1,728,310	1,227,460
Total operating expenses	6,374,970	3,495,023	13,506,570	5,515,556
Loss from operations	(6,149,970)	(3,495,023)	(13,081,570)	(5,515,556)
Other income (expense):				
Change in fair value of derivative liabilities	-	1,725,823	-	(26,265,177)
Interest income (expense), net	3,388	(36,547)	9,709	(1,034,737)
Gain on debt extinguishment	-	2,084,368	-	2,084,368
Total	3,388	3,773,644	9,709	(25,215,546)
Net (loss) income	$(6,146,582)	$278,621	$(13,071,861)	$(30,731,102)
Basic net (loss) income per common share	$(0.48)	$0.03	$(1.02)	$(5.07)
Diluted net (loss) income per common share	$(0.48)	$0.03	$(1.02)	$(5.07)
Weighted average shares outstanding, basic	12,914,768	9,370,172	12,851,677	6,057,598
Weighted average shares outstanding, diluted	12,914,768	10,773,670	12,851,677	6,057,598

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

Energous Corporation

CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance at January 1, 2015	12,781,502	$ 127	$82,465,914	$(51,145,478)	$31,320,563
Issuance of shares for services	15,000	-	147,900	-	147,900
Stock-based compensation - stock options	-	-	492,422	-	492,422
Stock-based compensation - IR warrants	-	-	85,831	-	85,831
Stock-based compensation - restricted stock units ("RSUs")	-	-	2,177,135	-	2,177,135
Stock-based compensation - performance share units ("PSUs")	-	-	43,378	-	43,378
Issuance of shares for RSUs	162,831	2	(2)	-	-
Exercise of stock options	5,693	-	14,176	-	14,176
Disgorgement on account of short swing profit	-	-	12,611	-	12,611
Cashless exercise of warrants	6,927	-	-	-	-
Net loss	-	-	-	(13,071,861)	(13,071,861)
Balance, June 30, 2015 (unaudited)	12,971,953	$ 129	$85,439,365	$(64,217,339)	$21,222,155

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

Energous Corporation

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net loss	$(13,071,861)	$(30,731,102)
Adjustments to reconcile net loss to		
Net cash used in operating activities:		
Depreciation and amortization	414,301	54,805
Stock based compensation	2,798,766	912,504
Amortization of debt discount	-	964,851
Gain on conversion of notes payable and accrued interest	-	(2,084,368)
Change in fair market value of derivative liabilities	-	26,265,177
Amortization of prepaid rent from stock issuance to landlord	40,392	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(100,540)	(282,199)
Other assets	(9,907)	-
Accounts payable	(898,670)	275,634
Accrued expenses	252,320	198,144
Deferred revenue	75,000	-
Net cash used in operating activities	(10,500,199)	(4,426,554)
Cash flows used in investing activities:		
Purchases of property and equipment	(512,912)	(354,953)
Net cash used in investing activities	(512,912)	(354,953)

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

Energous Corporation

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Six Months Ended June 30,	
	2015	2014
Cash flows from financing activities:		
Proceeds from IPO, net of underwriter's discount and offering expenses	-	24,872,170
Proceeds from the sale of stock to strategic investor, net	-	900,000
Sale of Warrant to IPO underwriter	-	1,000
Proceeds from the exercise of stock options	14,176	-
Proceeds from the disgorgement of short-swing profit	12,611	-
Net cash provided by financing activities	26,787	25,773,170
Net (decrease) increase in cash and cash equivalents	(10,986,324)	20,991,663
Cash and cash equivalents - beginning	31,494,592	1,953,780
Cash and cash equivalents - ending	$20,508,268	$22,945,443
Supplemental disclosure of non-cash financing activities:		
Decrease in deferred offering costs charged to the IPO	$-	$88,319
Common stock issued upon conversion of notes payable and accrued interest payable	$-	$26,790,177
Increase in additional paid in capital upon extinguishment of derivative liability for warrants	$-	$5,752,000
Common stock issued for services	$147,900	$-
Common stock issued for RSUs	$2	$-

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

5

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 1 - Business Organization, Nature of Operations

Energous Corporation (the “Company”) was incorporated in Delaware on October 30, 2012. The Company is developing WattUp,™ a wire-free charging technology that provides power at a distance for electronic devices that can be mobile and under full software control. The Company’s ultimate goal is to license our WattUp technology to consumer product companies, silicon manufacturers, wireless data router manufacturers and other commercial partners. The Company believes that its proprietary technology can potentially be used in a variety of devices, including smart phones, tablets, e-book readers, wearables, sensors, cameras, keyboards, mice, remote controls, rechargeable lights and any other devices, requiring less than 10 watts, with similar charging requirements that would otherwise need a battery or a connection to a power outlet.

The Company believes its technology is novel in its approach, in that it charges devices by surrounding them with a radio frequency (“RF”) pocket (“RF pocket”). The Company is developing solutions that enable wire-free transmission of energy from one or multiple transmitter(s) to multiple receivers connected to or integrated into electronic devices, at distances of up to fifteen (15) feet. The Company has developed multiple prototype systems consisting of either a single or multiple transmitter (s) in various forms and sizes, multiple smart phone receiver cases, various other forms of receiving devices and management software to demonstrate the technology.

Note 2 – Liquidity and Management Plans

During the three and six months ended June 30, 2015, the Company has recorded revenue of $225,000 and $425,000, respectively. The Company incurred a net (loss) income of ($6,146,582) and $278,621 for the three months ended June 30, 2015 and 2014, and net loss of $13,071,861 and $30,731,102 for the six months ended June 30, 2015 and 2014, respectively. Since inception, the Company has met its liquidity requirements principally through the private placement of convertible notes, the sale of its common stock in a registered public offering, the sale of its common stock to a strategic investor, the issuance of its common stock to the Company’s landlord to reduce its monthly base rent obligation and pay for certain tenant improvements, the sale of common stock in a December 2014 secondary offering and revenue associated with product development projects entered into with customers.

As of June 30, 2015, the Company had cash on hand of $20,508,268. In April 2014, the Company completed its IPO of 4,600,000 shares of common stock through which the Company raised net proceeds of approximately $24.8 million. In connection with the completion of the IPO, the Company’s outstanding convertible notes and interest accrued thereon were converted into 1,833,336 and 96,792 shares, respectively, of common stock, thus extinguishing the debt associated with the notes. On April 4, 2014, the Company issued 210,527 shares of common stock to a strategic investor upon the receipt of net proceeds of $900,000 ($300,000 received on March 27, 2014, $700,000 received on April 4, 2014 less $100,000 to MDB Capital Group as a commission). On September 10, 2014, the Company issued 41,563 shares of common stock to the Company's landlord as prepaid rent and tenant improvements. On November 12, 2014, the Company issued 5,353 shares of common stock to a search firm for services associated with recruiting certain employees. In December 2014, the Company completed a secondary offering of 3,285,714 shares of common stock through which the Company raised net proceeds of approximately $21.0 million. The Company expects that cash on hand as of June 30, 2015, together with anticipated revenues, will be sufficient to fund the Company's operations into the third quarter of 2016.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 2 – Liquidity and Management Plans, continued

Research and development of new technologies is, by its nature, unpredictable. Although the Company will undertake development efforts with commercially reasonable diligence, there can be no assurance that our available resources including the net proceeds from the Company's IPO, secondary offering, and strategic investor financing will be sufficient to enable it to develop and obtain regulatory approval of its technology to the extent needed to create future revenues sufficient to sustain its operations. The Company may choose to pursue additional financing, depending upon the market conditions, which could include follow-on equity offerings, debt financing, co-development agreements or other alternatives. Should the Company choose to pursue additional financing, there is no assurance that the Company would be able to do so on terms that it would find acceptable. On April 24, 2015, the Company filed a "shelf" registration statement on Form S-3, under which the Company may from time to time, sell any combination of debt or equity securities up to an aggregate of $75,000,000.

Note 3 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and pursuant to the accounting and disclosure rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended December 31, 2014 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission (the "SEC") on March 30, 2015. The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those described in the December 31, 2014 audited financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements as well as the reported expenses during the reporting periods.

The Company’s significant estimates and assumptions include the valuation of the Company’s common stock, the valuation of stock-based compensation instruments and recognition of revenue, the useful lives of long-lived assets, and income tax expense. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. Although the Company believes that its estimates and assumptions are reasonable, they are based upon information available at the time the estimates and assumptions were made. Actual results could differ from those estimates.

Reclassification

Certain amounts in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net (loss) income.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents. The Company maintains cash balances that may be uninsured or in deposit accounts that exceed Federal Deposit Insurance Corporation limits. The Company maintains its cash deposits with major financial institutions.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 3 – Summary of Significant Accounting Policies, continued

Revenue Recognition

The Company recognizes revenue when the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, collection of the revenue is reasonably assured, and the fees are fixed or determinable.

The Company records revenue associated with product development projects that it enters into with certain customers. In general, these projects are associated with complex technology development, and as such the Company does not have certainty about its ability to achieve the program milestones. Achievement of the milestone is dependent on our performance and the milestone typically needs to be accepted by the customer. The payment associated with achieving the milestone is generally commensurate with the Company's effort or the value of the deliverable and is nonrefundable. However, the Company also expects to receive nonrefundable payments, typically at the beginning of a customer relationship, for which there are no milestones. The Company recognizes this revenue ratably over the initial engineering product development period. The Company records the expenses related to these projects in the periods incurred and recognizes revenue when it has achieved the development milestones. The costs associated with the revenue from these projects are expensed as incurred and generally included in research and development expense.

Research and Development

Research and development expenses are charged to operations as incurred. For internally developed patents, all patent application costs are expensed as incurred as research and development expense. Patent application costs, generally legal costs, are expensed as research and development costs until such time as the future economic benefits of such patents become more certain. The Company incurred research and development costs of $3,779,852 and $1,556,493 for the three months ended June 30, 2015 and 2014, and $8,055,416 and $2,485,706 for the six months ended June 30, 2015 and 2014, respectively.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with accounting guidance that requires that awards are recorded at their fair value on the date of grant and are amortized over the vesting period of the award. The Company recognizes compensation costs on a straight line basis over the requisite service period of the award, which is generally the vesting term of the equity instrument issued.

Income Taxes

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for “unrecognized tax benefits” is recorded for any tax benefits claimed in the Company’s tax returns that do not meet these recognition and measurement standards. As of June 30, 2015, no liability for unrecognized tax benefits was required to be reported. The guidance also discusses the classification of related interest and penalties on income taxes. The Company’s policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. No interest or penalties were recorded during the three and six months ended June 30, 2015 and 2014.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 3 – Summary of Significant Accounting Policies, continued

Net (Loss) Income Per Common Share, continued

Basic net (loss) income per share is computed by dividing net (loss) income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method) and the vesting of restricted stock units ("RSUs") and performance stock units ("PSUs"). The computation of diluted (loss) income per share excludes potentially dilutive securities of 4,754,243 and 0 for the three months ended June 30, 2015 and 2014, and 4,754,243 and 2,669,006 for the six months ended June 30, 2015 and 2014, respectively, because their inclusion would be antidilutive.

For the three months ended June 30, 2014, the Company calculated the potential diluted earnings per share in accordance with ASC 260, as follows:

	Three months ended June 30, 2014
Numerator:	
Net income (numerator for basic and diluted earnings per share)	$ 278,621
Weighted average shares outstanding (denominator for basic earnings per share)	9,370,172
Effect of dilutive securities:	
Assumed exercise of stock options, treasury method	846,566
Assumed exercise of warrants, treasury method	555,735
Assumed vesting of Restricted Stock Units	1,197
Dilutive potential common shares	1,403,498
Denominator for diluted earnings per share – weighted average shares and assumed potential common shares	10,773,670
Earnings per share, diluted	$ 0.03

Since the effect of the assumed conversion of convertible debt on diluted earnings per share would be, in fact, anti-dilutive, the assumed conversion of convertible debt has been excluded from the computation of basic and diluted earnings per share for the three months ended June 30, 2014.

Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net (loss) income per share because the effect of their inclusion would have been anti-dilutive.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Consulting Warrant to purchase common stock	271,272	-	271,272	278,228
Financing Warrant to purchase common stock	152,778	-	152,778	152,778
IPO Warrants to purchase common stock	460,000	-	460,000	460,000
IR Consulting Warrant	36,000	-	36,000	36,000
IR Incentive Warrant	15,000	-	15,000	-
Options to purchase common stock	1,593,550	-	1,593,550	1,737,965
RSUs	1,043,352	-	1,043,352	4,035
PSUs	1,182,291	-	1,182,291	-
Total potentially dilutive securities	4,754,243	-	4,754,243	2,669,006

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 3 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), which supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The amendments in the ASU must be applied using one of two retrospective methods and are effective for annual and interim periods beginning after December 15, 2016. On July 9, 2015, the FASB modified ASU 2014-09 to be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. As modified, the FASB permits the adoption of the new revenue standard early, but not before the annual periods beginning after December 15, 2016. A public organization would apply the new revenue standard to all interim reporting periods within the year of adoption. The Company will evaluate the effects, if any, that adoption of this guidance will have on its financial statements.

In August 2014, FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This standard is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Under U.S. GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. Financial reporting under this presumption is commonly referred to as the going concern basis of accounting.

The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities. Currently, U.S. GAAP lacks guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December

15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The adoption of this standard is not expected to have a material impact on the Company's financial position and results of operations.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company is currently evaluating the impact the adoption of this standard would have on our condensed financial statements.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 3 – Summary of Significant Accounting Policies, continued

Management's Evaluation of Subsequent Events

The Company evaluates events that have occurred after the balance sheet date of June 30, 2015, through the date which the financial statements are issued.

Note 4 – Commitments and Contingencies

Investor Relations Agreements

Effective January 13, 2014, the Company entered into an agreement with a vendor ("IR Firm") to provide investor relations services to the Company. Pursuant to the agreement, in addition to monthly cash compensation of $8,000 per month, on March 27, 2014 the Company issued to the IR firm a consulting warrant ("IR Consulting Warrant") for the purchase of 36,000 shares of common stock. The IR Consulting Warrant has a strike price of $7.80, representing 130% of the IPO price. The IR Consulting Warrant had an initial catch up vesting equivalent to 3,000 shares per month of service, partial months to be prorated on a thirty (30) day basis, from the effective date of this agreement until March 27, 2014. Thereafter, the IR Consulting Warrant vested at a rate of 3,000 shares per month of service. On February 26, 2015, the Company issued to the IR Firm incentive warrants ("IR Incentive Warrants") to purchase 15,000 shares of common stock with a strike price of $7.80 based upon certain qualified investors and/or institutional or brokerage firms having purchased at least $250,000 in value of the Company's common shares at the IPO price or greater in the open market on or after the 46th day following March 27, 2014. All IR Incentive Warrants granted during a six month period will collectively vest at each six month anniversary. Both the IR Consulting Warrant and IR Incentive Warrants will have an expiration date four (4) years from the grant date. The shares underlying both the IR Consulting Warrant and the IR Incentive Warrants will either be registered at the next available opportunity or the warrants will include a cashless exercise provision.

As of March 31, 2015, all 36,000 shares under the IR Consulting Warrant were vested. The Company incurred stock-based compensation expense of $0 and $98,545 for the three months ended June 30, 2015 and 2014, respectively, and $7,522 and $159,573 for the six months ended June 30, 2015 and 2014, respectively, in connection with the IR Consulting Warrant, which was included in general and administrative expense.

On February 4, 2015, the Company entered into a six month consulting agreement with a consultant to provide the Company with investor relations services. Compensation under the agreement included the Company's issuance on February 26, 2015, of 15,000 shares of common stock valued at $147,900 and monthly cash payments of $5,000. The total value of the common stock compensation was recorded as a prepaid expense and is being amortized over the six month contract period. The Company incurred amortization expense of $73,950 and $110,925 during the three and six months ended June 30, 2015, which was included in general and administrative expense.

Operating Leases

On September 10, 2014, the Company entered into a Lease Agreement (the "Lease") with Balzer Family Investments, L.P. (the "Landlord") related to space located at Northpointe Business Center, 3590 North First Street, San Jose, California. The initial term of the lease is 60 months, with initial monthly base rent of $36,720 and the lease is subject to certain annual escalations as defined in the agreement. On October 1, 2014, the Company relocated its headquarters to this new location. The Company issued to the Landlord 41,563 shares of the Company's common stock valued at $500,000, of which $400,000 will be applied to reduce the Company's monthly base rent obligation by $6,732 per month and of which $100,000 was for certain tenant improvements. The Company recorded $400,000 as prepaid rent on its balance sheet, which is being amortized over the term of the lease and recorded $100,000 as leasehold improvements.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 4 – Commitments and Contingencies, continued

Operating Leases, continued

On February 26, 2015, the Company entered into a sub-lease agreement for additional space in the San Jose area. The agreement has a term which expires on June 30, 2019 at an initial monthly rent of $6,109 per month and the lease is subject to certain annual escalations as defined in the agreement.

See Note 8 (Subsequent Events) for the description of the new lease agreement.

The future minimum lease payments for leased locations are as follows:

For the Years Ended December 31,	Amount
2015 (Six Months)	$219,282
2016	448,488
2017	462,135
2018	475,838
2019	344,611
Total	$1,950,354

Development and Licensing Agreement

Effective January 28, 2015, the Company signed a development and licensing agreement with a consumer electronics company to embed WattUp wire-free charging receiver technology in various products including, but not limited to certain mobile consumer electronics and related accessories. During the development phase and through customer shipment of their first product, Energous will afford this customer an exclusive “time to market advantage” in the licensed product categories.

This development and licensing agreement contains both invention and development milestones that the Company will need to achieve during the next two years. Pursuant to the Agreement, on March 23, 2015, the Company received an initial non-refundable payment of $500,000. The agreement provides for additional amounts to be received by the Company based upon its achievement of certain milestones which were initially recorded as deferred revenue. During the three and six months ended June 30, 2015, the Company recognized as revenue $225,000 and $425,000, respectively, under the agreement.

Effective April 3, 2015, the Company entered into an amendment of the development and license agreement with this consumer electronics company to include joint development of wire-free transmitter technology and technology license back to the Company. On June 5, 2015, the Company entered into a second amendment of the development and license agreement with this consumer electronics company to conform the agreement for technical changes in the product delivery milestones.

Hosted Design Solution Agreement

On June 25, 2015, the Company entered into a three year agreement to license electronics design automation software in a hosted environment. Pursuant to the agreement, under which services began July 13, 2015, the Company is required to remit quarterly payments in the amount of $100,568 with the last payment due March 30, 2018.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 4 – Commitments and Contingencies, continued

Amended Employee Agreement – Stephen Rizzone

On April 3, 2015, the Company entered into an Amended and Restated Executive Employment Agreement with Stephen R. Rizzone, the Company's President and Chief Executive Officer (the "Employment Agreement").

The Employment Agreement has an effective date of January 1, 2015 and an initial term of four years (the "Initial Employment Period"). The Employment Agreement provides for an annual base salary of $365,000, and Mr. Rizzone is eligible to receive quarterly cash bonuses with a total target amount equal to 100% of his base salary based upon achievement of performance-based objectives established by the Company's board of directors.

Pursuant to Mr. Rizzone's prior employment agreement, on December 12, 2013 Mr. Rizzone was granted a ten year option to purchase 275,689 shares of common stock at an exercise price of $1.68 vesting over four years in 48 monthly installments beginning October 1, 2013 (the "First Option"). Mr. Rizzone was also granted a second option award to purchase 496,546 shares of common stock at an exercise price of $6.00 (the "Second Option"). The Second Option vests over the same vesting schedule as the First Option.

Effective with the approval on May 21, 2015 by the Company's stockholders of its new performance-based equity plan, the Employment Agreement provided and Mr. Rizzone received, a grant of 639,075 Performance Share Units (the "PSUs"). The PSUs, which represent the right to receive shares of common stock, shall be earned based on the Company's achievement of market capitalization growth between the effective date of the Employment Agreement and the end of the Initial Employment Period. If the Company's market capitalization is $100 million or less, no PSUs will be earned. If the Company reaches a market capitalization of $1.1 billion or more, 100% of the PSUs will be earned. For market capitalization between $100 million and $1.1 billion, the percentage of PSUs earned will be determined on a quarterly basis based on straight line interpolation. PSUs earned as of the end of a calendar quarter will be paid 50% immediately and 50% will be deferred until the end of the Initial Employment Period subject to Mr. Rizzone's continued employment with the Company (See Note 6).

Mr. Rizzone is also eligible to receive all customary and usual benefits generally available to senior executives of the Company.

The Employment Agreement provides that if Mr. Rizzone's employment is terminated due to his death or disability, if Mr. Rizzone's employment is terminated by the Company without cause or if he resigns for good reason, twenty-five percent (25%) of the shares subject to the Option and the Second Option shall immediately vest and become exercisable, he will have a period of one year post-termination to exercise the Option and the Second Option, and if a Liquidation Event (as defined in the Employment Agreement) shall occur prior to the termination of the Option and the Second Option, one hundred percent (100%) of the shares subject to the Option and Second Option shall immediately vest and become exercisable effective immediately prior to the consummation of the Liquidation Event. In addition, any outstanding deferred PSUs shall be immediately vested and paid, but any remaining unearned portion of the PSUs shall immediately be canceled and forfeited.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 5 – Stockholders' Equity

Disgorgement of short swing profits

On April 11, 2015, $12,611 of proceeds was received from an officer of the Company who had purchased shares in the December 2014 secondary offering representing the disgorgement of a short swing profit on the officer's April 2015 sale of the Company's stock.

Filing of registration statement

On April 24, 2015, the Company filed a "shelf" registration statement on Form S-3, which became effective on April 30, 2015. The "shelf" registration statement allows the Company from time to time to sell any combination of debt or equity securities described in the registration statement up to aggregate proceeds of $75,000,000.

Note 6 – Stock Based Compensation

Equity Incentive Plans

<u>2013 Equity Incentive Plan</u>

In December 2013 the Company's board and stockholders approved the "2013 Equity Incentive Plan", providing for the issuance of equity based instruments covering up to an initial total of 1,042,167 shares of common stock. Effective on March 27, 2014, the aggregate total shares which may be issued under the 2013 Equity Incentive Plan were increased to 2,335,967, as described below.

Effective on March 10, 2014, the Company's board of directors and stockholders approved the First Amendment to the 2013 Equity Incentive Plan which provided for an increase in the aggregate number of shares of common stock that may be issued pursuant to the Plan to equal 18% of the total number of shares of common stock outstanding immediately following the completion of the IPO (assuming for this purpose the issuance of all shares issuable under the Company's equity plans, the conversion into common stock of all outstanding securities that are convertible by their terms into common stock and the exercise of all options and warrants exercisable for shares of common stock and including shares and warrants issued to the underwriters for such IPO upon exercise of its over-allotment options).

As of June 30, 2015, 262,186 shares of common stock remain eligible to be issued through equity based instruments under the 2013 Equity Incentive Plan.

2014 Non-Employee Equity Compensation Plan

On March 6, 2014, the Company's board of directors and stockholders approved the 2014 Non-Employee Equity Compensation Plan for the issuance of equity based instruments covering up to 250,000 shares of common stock to directors and other non-employees.

As of June 30, 2015, 156,495 shares of common stock remains eligible to be issued through equity based instruments under the 2014 Non-Employee Equity Compensation Plan.

2015 Performance Share Unit Plan

On April 10, 2015, the Company's board of directors approved the Energous Corporation 2015 Performance Share Unit Plan (the "Performance Share Plan"), under which 1,310,104 shares of common stock became available for issuance as PSUs to a select group of employees and directors, subject to approval by the stockholders. On May 21, 2015 the Company's stockholders approved the Performance Share Plan.

As of June 30, 2015, 127,813 shares of common stock remain eligible to be issued through equity based instruments under the Performance Share Unit Plan.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 6 – Stock Based Compensation, continued

Stock Option Award Activity

The following is a summary of the Company’s stock option activity during the six months ended June 30, 2015:

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding at January 1, 2015	1,607,075	$ 4.41	$ 2.46	9.0	$-
Granted	-	-	-	-	-
Exercised	(5,693)	(2.49)	(1.42)	-	-
Forfeited	(7,832)	(2.49)	(1.42)	-	-
Outstanding at June 30, 2015	1,593,550	$ 4.42	$ 2.47	8.6	$5,227,000
Exercisable at January 1, 2015	550,298	$ 4.33	$ 2.41	9.1	$-
Vested	197,208	4.46	-	-	-
Exercised	(5,693)	(2.49)	-	-	-
Forfeited	-	-	-	-	-
Exercisable at June 30, 2015	741,813	$ 4.38	$ 2.45	8.6	$2,451,000

The following table presents information related to stock options outstanding and exercisable at June 30, 2015:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
$ 1.68	275,689	8.5	120,614
2.49	313,229	8.5	142,907
3.63	51,958	8.7	51,958
4.99	99,214	8.7	44,076

6.00	853,460	8.7	382,258
	1,593,550	8.6	741,813

As of June 30, 2015, the unamortized value of options was $2,101,277. As of June 30, 2015, the unamortized portion will be expensed over a weighted average period of 2.24 years.

15

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 6 – Stock Based Compensation, continued

Restricted Stock Units ("RSUs")

On August 14, 2014, the compensation committee of the board of directors granted two inducement RSU awards to Cesar Johnston, the Company's Senior Vice President of Engineering. Under the first award, Mr. Johnston has the right to receive 100,000 shares of the Company's common stock and this award vests over four years beginning on the first anniversary of his employment start date of July 14, 2014. In addition, Mr. Johnston was granted 20,000 performance based RSU awards. On February 26, 2015, the compensation committee of the board of directors determined that Mr. Johnston had successfully met all conditions provided for in the performance based RSU award. The RSU's had an aggregate grant date fair value of $1,356,000 based upon the fair value of the Company's common stock on the date of grant. The awards granted vest over four years beginning on the first anniversary of the employee's date of hire. Pursuant to the terms of the awards, the unvested shares terminate upon separation from the Company.

On January 2, 2015, the compensation committee of the board of directors granted to various directors, RSUs under which the holders have the right to receive 17,576 shares of the Company's common stock. The awards granted vest fully on the first anniversary of the grant date. On June 23, 2015, one of the Company's directors resigned and upon approval by the compensation committee of the board of directors, his RSU award of 4,394 shares became fully vested. Of the total amount granted to directors on January 2, 2015, 13,182 remain unvested.

On January 22, 2015, the compensation committee of the board of directors granted to various employees and consultants, RSUs under which the holders have the right to receive 54,500 shares of the Company's common stock. The awards granted were vested on the date of grant.

On February 26, 2015, the compensation committee of the board of directors granted to two employees RSUs under which the holders have the right to receive 6,800 shares of the Company's common stock. The awards granted were vested on the date of grant.

On February 26, 2015, the compensation committee of the board of directors granted to Mr. Rizzone, the Company's Chief Executive Officer, RSUs under which Mr. Rizzone has the right to receive 246,226 shares of the Company's common stock. The awards granted vest over four years beginning on the first anniversary of the date of grant.

On February 26, 2015, the compensation committee of the board of directors granted to a member of the advisory board RSUs under which the holder has the right to receive 5,071 shares. The award vests 12.5% on March 31, 2015 and then an additional 12.5% on each three month anniversary thereafter until fully vested.

On May 21, 2015, the compensation committee of the board of directors granted to various employees and consultants inducement RSU awards under which the holders have the right to receive 205,081 shares of the Company's common stock. The awards granted vest over four years beginning on the first anniversary of the date of hire.

On May 21, 2015, the compensation committee of the board of directors granted to Cesar Johnston, the Company's Senior Vice President of Engineering, RSUs under which Mr. Johnston has the right to receive 1,500 shares of the Company's common stock. This award was granted under the 2013 Equity Incentive Plan. The award granted vested fully on May 31, 2015.

On May 21, 2015, the compensation committee of the board of directors granted to two consultants RSUs under which the holders have the right to receive 7,042 shares of the Company's common stock. These awards were granted under the 2014 Non-Employee Equity Compensation Plan. The awards granted were fully vested on the date of grant.

On May 21, 2015, in connection with patent applications, the compensation committee of the board of directors granted to various employees RSUs under which the holders have the right to receive 6,300 shares of the Company's common stock. These awards were granted under the 2013 Equity Incentive Plan. Of the awards granted, 2,100 RSUs become fully vested on December 29, 2015, 3,500 become fully vested on December 30, 2015 and 700 become fully vested on December 31, 2015.

ENERGOUS CORPORATION

Notes to Condensed Financial Statements

Note 6 – Stock Based Compensation, continued

Restricted Stock Units ("RSUs"), continued

On May 21, 2015, the compensation committee of the board of directors granted to John Gaulding, director and chairman of the board, RSUs under the 2014 Non-Employee Equity Compensation Plan for which Mr. Gaulding has the right to receive 25,000 shares of the Company's common stock. The award granted vests fully on January 1, 2016.

On May 21, 2015, the compensation committee of the board of directors accelerated the vesting of 13,074 previously issued RSUs, held by certain employees and consultants, to vest on April 30, 2015.

The Company accounts for RSUs granted to consultants using the accounting guidance included in ASC 505-50 "Equity-Based Payments to Non-Employees" ("ASC 505-50"). In accordance with ASC 505-50, the Company estimates the fair value of the unvested portion of the RSU award each reporting period using the closing price of the Company's common stock.

At June 30, 2015, the unamortized value of the RSUs was $8,832,369. The unamortized amount will be expensed over a weighted average period of 3.23 years. A summary of the activity related to RSUs for the six months ended June 30, 2015 is presented below:

	Total	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2015	733,628	$ 10.49
RSUs granted	575,096	$ 9.06
RSUs forfeited	(102,541)	$ 9.74
Shares of common stock issued in exchange for RSUs	(162,831)	$ 10.82
Outstanding at June 30, 2015	1,043,352	$ 9.73

Vested at January 1, 2015	6,349	$ 9.94
RSUs vested	159,120	$ 10.85
RSUs forfeited	-	$ -
Shares of common stock issued in exchange for RSUs	(162,831)	$ 10.82
Vested at June 30, 2015	2,638	$ 10.52

Performance Share Units ("PSUs")

Effective on May 21, 2015, the compensation committee of the board of directors granted to Stephan Rizzone PSUs under which Mr. Rizzone has the right to receive up to 639,075 shares of the Company's common stock. The PSUs shall be earned based on the Company's market capitalization growth (See Note 4).

On May 21, 2015, the compensation committee of the board of directors granted to its independent directors and executives, PSUs under which the holders have the right to receive up to 543,216 shares of the Company's common stock. The PSUs shall be earned based on the Company's achievement of market capitalization growth between the effective date of the Employment Agreement and the end of the Initial Employment Period. If the Company's market capitalization is $100 million or less, no PSUs will be earned. If the Company reaches a market capitalization of $1.1 billion or more, 100% of the PSUs will be earned. For market capitalization between $100 million and $1.1 billion, the percentage of PSUs earned will be determined on a quarterly basis based on straight line interpolation.