Form 10-Q

BALQON CORP. - BLQN

Filed: May 17, 2010 (period: March 31, 2010)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2010**

OR

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

For the transition period from ____________ to _____________

Commission file number: **000-52337**

BALQON CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**33-0989901**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1420 240th Street, Harbor City, California 90710	**90710**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(310) 326-3056**

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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or 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 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 (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 ☒

The number of shares outstanding of the Registrant's common stock, $0.001 par value, as of May 7, 2010 was 25,718,348.

DOCUMENTS INCORPORATED BY REFERENCE

None

CAUTIONARY STATEMENT

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements concerning projected net sales, costs and expenses and gross margins; our accounting estimates, assumptions and judgments; the demand for our products; the competitive nature of and anticipated growth in our industries; and our prospective needs for additional capital. These forward-looking statements are based on our current expectations, estimates, approximations and projections about our industries and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are listed under "Risk Factors" in Part II, Item 1A of this Report. These forward-looking statements speak only as of the date of this Report. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

BALQON CORPORATION
QUARTERLY REPORT ON
FORM 10-Q

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PART I

ITEM 1. **Condensed Financial Statements**

BALQON CORPORATION
CONDENSED BALANCE SHEETS

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 527,284	$ 118,635
Accounts receivable	3,848	167,925
Costs and estimated earnings in excess of billings on uncompleted contracts	34,224	—
Inventories	1,239,588	1,002,748
Prepaid expenses	36,746	53,382
Total current assets	1,841,690	1,342,690
Property and equipment, net	106,870	122,251
Other assets:		
Deposits	14,400	14,400
Trade secrets, net	93,483	109,063
Goodwill	166,500	166,500
Total assets	$ 2,222,943	$ 1,754,904
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued expenses	$ 1,535,353	$ 1,587,388
Customer deposit	1,159,601	1,159,601
Loan payable, Bank	—	128,150
Notes payable to related parties	40,000	25,000
Advances from shareholder	5,018	5,018
Billings in excess of costs and estimated earnings on uncompleted contracts	—	650
Total current liabilities	2,739,972	2,905,807
Convertible notes payable, net of discount	321,730	209,510
SHAREHOLDERS' DEFICIENCY		
Common stock, $0.001 par value, 100,000,000 shares authorized, 25,718,348 and 25,518,348 shares issued and outstanding, respectively	25,718	25,518
Additional paid in capital	11,172,129	9,650,329
Accumulated deficit	(12,036,606)	(11,036,260)
Total shareholders' deficiency	(838,759)	(1,360,413)
Total liabilities and shareholders' deficiency	$ 2,222,943	$ 1,754,904

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

BALQON CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (Unaudited)

	Three Months Ended March 31,	
	2010	**2009**
REVENUES	38,067	776,650
COSTS OF REVENUES	37,592	747,620
Gross profit	475	29,030
OPERATING EXPENSES		
General and administrative	745,380	546,125
Research and development	65,543	60,945
Depreciation and amortization	33,139	23,238
Total operating expenses	844,062	630,308
Loss from operations	(843,587)	(601,278)
Interest expense	(156,759)	(1,250)
NET LOSS	$ (1,000,346)	$ (602,528)
Net loss per share – basic and diluted	$ 0.04	$ 0.02
Weighted average shares outstanding, basic and diluted	25,647,237	25,518,348

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

BALQON CORPORATION
CONDENSED STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2010 (Unaudited)

	Common Stock, $0.001 Par Value		Additional	Accumulated	
	Number	Amount	Paid in Capital	Deficit	Total
Balance, December 31, 2009	25,518,348	$ 25,518	$ 9,650,329	$ (11,036,260)	$ (1,360,413)
Fair value of shares granted for services	200,000	200	207,800	—	208,000
Fair value of warrants granted for services	—	—	14,000	—	14,000
Fair value of beneficial conversion feature and warrants issued with convertible notes	—	—	1,300,000	—	1,300,000
Net loss	—	—	—	(1,000,346)	(1,000,346)
Balance, March 31, 2010	25,718,348	$ 25,718	$ 11,172,129	$ (12,036,606)	$ (838,759)

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

BALQON CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flow from operating activities:		
Net loss	$ (1,000,346)	$ (602,528)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	33,139	23,238
Fair value of common stock granted for services	208,000	—
Fair value of warrants granted for services	14,000	—
Amortization of note discount	112,219	—
Changes in operating assets and liabilities:		
Accounts receivable	164,077	(775,750)
Costs and estimated earnings in excess of billings on uncompleted contracts	(34,224)	
Inventories	(236,840)	434,609
Prepaid expenses	16,636	21,058
Accounts payable and accrued expenses	(52,034)	55,330
Billings in excess of costs and estimated earnings on uncompleted contracts	(650)	—
Net cash used in operating activities	(776,023)	(844,043)
Cash flows from investing activities:		
Acquisition of furniture, equipment and software	(2,178)	(8,986)
Net cash used in investing activities	(2,178)	(8,986)
Cash flows from financing activities:		
Proceeds from (payment of) loan payable, Bank	(128,150)	497,038
Proceeds from notes payable, related parties	15,000	—
Payment of notes payable, related parties	—	(875)
Proceeds from issuance of unsecured convertible notes	1,300,000	50,000
Advances from shareholder	—	(9,000)
Net cash provided by financing activities	1,186,850	537,163
Increase (decrease) in cash and cash equivalents	408,649	(315,866)
Cash and cash equivalents, beginning of period	118,635	355,615
Cash and cash equivalents, end of period	$ 527,284	$ 39,749
Supplemental cash flow information		
Interest Paid	$ 25,205	$ —
Income taxes Paid	$ —	$ —
Supplemental schedule of non cash financing and investing activities		
Fair value of beneficial conversion feature and warrants issued with convertible notes	$ 1,300,000	$ 50,000

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

NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Company

Balqon Corporation, a California corporation ("Balqon California") was incorporated on April 21, 2005 and commenced business operations in 2006. On October 24, 2008, Balqon California completed a merger with BMR Solutions, Inc., a Nevada corporation ("BMR"). Upon the closing, BMR changed its name to Balqon Corporation (the "Company"). The Company develops, assembles and markets heavy-duty electric vehicles, flux vector motor controllers and heavy-duty electric drive systems.

Going Concern

For the three months ended March 31, 2010, the Company recorded a net loss of $1,000,346, utilized cash in operations of $776,023, and had a working capital deficit of $898,282 and a shareholders' deficiency of $838,759 as of March 31, 2010. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty. The Company intends to raise funds to finance operations until the Company achieves profitable operations. The Company's capital requirements for the next 12 months, as they relate to the production of its products will continue to be significant. If adequate funds are not available to satisfy either medium or long-term capital requirements, the Company's operations and liquidity could be materially adversely affected and the Company could be forced to cut back its operations. Subsequent to March 31, 2010, the Company raised an additional $200,000 through the sale of its convertible promissory notes (see note 11).

Basis of Presentation of Unaudited Financial Information

The unaudited financial statements of the Company for the three months ended March 31, 2010 and 2009 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K for scaled disclosures for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2009 was derived from the audited financial statements included in the Company's financial statements as of and for the years ended December 31, 2009 and 2008 to Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 31, 2010. These financial statements should be read in conjunction with that report.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Material estimates relate to the recognition of contract revenues and estimated costs to complete contracts in process and recoverability of reported amounts of long-lived assets. Actual results may differ from those estimates.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Contract Revenue and Cost Recognition on Prototype Vehicles

The Company recognizes revenues using the percentage-of-completion method of accounting by relating contract costs incurred to date to the total estimated costs at completion. This method is used because management considers costs to be the best available measure of progress on its contracts. Contract losses are provided for in their entirety in the period that they become known, without regard to the percentage-of-completion. The Company also recognizes as revenues costs associated with claims and unapproved change orders to the extent it is probable that such claims and change orders will result in additional contract revenue, and the amount of such additional revenue can be reliably estimated.

Contract costs include all direct material and labor costs. The asset “costs and estimated earnings in excess of billings on uncompleted contracts” represents costs incurred in excess of revenues billed. The liability “billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of revenues earned.

The Company accounted for a grant from the City of Los Angeles (“City of Los Angeles Grant”) pursuant to current accounting guidelines, which provide that revenues for cost-reimbursement contract are recorded as costs are incurred and include estimated earned fees in the proportion that costs incurred to date bear to total estimated costs.

Sales of Production Units and Parts

The Company recognizes revenue from the sale of completed production units and parts when there is persuasive evidence that an arrangement exists, delivery of the product has occurred and title has passed, the selling price is both fixed and determinable, and collectability is reasonably assured, all of which generally occurs upon shipment of the Company’s product or delivery of the product to the destination specified by the customer.

The Company determines whether delivery has occurred based on when title transfers and the risks and rewards of ownership have transferred to the buyer, which usually occurs when the Company places the products with the buyer’s carrier. The Company regularly reviews its customers’ financial positions to ensure that collectability is reasonably assured. Except for warranties, the Company has no post-sales obligations.

Product Warranties

The Company provides limited warranties for parts and labor at no cost to its customers within a specified time period after the sale. The Company estimates the actual historical warranty claims coupled with an analysis of unfulfilled claims at the balance sheet date. As of March 31, 2010, the Company had no warranty reserve nor did it incur warranty expenses during the three month periods ended March 31, 2010 or 2009.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally on a first-in-first-out average cost basis. Inventories consist of the following:

	March 31, 2010 (Unaudited)	December 31, 2009
Raw materials	$ 1,197,468	$ 948,583
Work in process	42,120	—
In-transit	—	54,165
Total	$ 1,239,588	$ 1,002,748

Goodwill and Intangible Assets

Management performs impairment tests of goodwill and indefinite-lived intangible assets whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Also, management performs impairment testing of goodwill and indefinite-lived intangible assets at least annually.

Management tests goodwill for impairment at the reporting unit level. The Company has only one reporting unit. At the time of goodwill impairment testing, management determines fair value through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved with its reporting unit. If the calculated fair value is less than the current carrying value, impairment of the Company may exist. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing in the absence of available domestic and international transactional market evidence to determine the fair value. The key assumptions used in the discounted cash flow valuation model for impairment testing include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the Weighted Average Cost of Capital ("WACC") methodology. The WACC methodology considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and cash flow projections for the Company. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow valuation model, the aggregate fair value of all reporting units is reconciled to the total market capitalization of the Company. The discounted cash flow valuation methodology and calculations was used in 2009 impairment testing. The Company's first measurement period was in the

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Intangible Assets (continued)

fourth quarter of 2009 and the Company determined that there were no indicators of impairment of its recorded goodwill or intangibles.

The Company reviews intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset exceeds its undiscounted cash flows, the Company writes down the carrying value of the intangible asset to its fair value in the period identified. If the carrying value of assets is determined not to be recoverable, the Company records an impairment loss equal to the excess of the carrying value over the fair value of the assets. The Company’s estimate of fair value is based on the best information available, in the absence of quoted market prices. The Company generally calculates fair value as the present value of estimated future cash flows that the Company expects to generate from the asset using a discounted cash flow income approach as described above. If the estimate of an intangible asset’s remaining useful life is changed, the Company amortizes the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

Impairment of Long-Lived Assets

The Financial Accounting Standards Board (“FASB”) has established guidelines regarding when impairment losses on long-lived assets, which include property and equipment, should be recognized and how impairment losses should be measured. This statement also provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. The Company periodically reviews, at least annually, such assets for possible impairment and expected losses. If any losses are determined to exist they are recorded in the period when such impairment is determined. Based upon management’s assessment, there are no indicators of impairment of the Company’s long lived assets during the years ended December 31, 2009 and 2008. Based upon management’s assessment, there were no indicators of impairment of the Company’s long-lived assets at March 31, 2010 or December 31, 2009.

Loss Per Share

Basic loss per share has been computed using the weighted average number of common shares outstanding and issuable during the period. Diluted loss per share is computed based on the weighted average number of common shares and all common equivalent shares outstanding during the period in which they are dilutive. Common equivalent shares consist of shares issuable upon the exercise of stock options or warrants. As of March 31, 2010, common stock equivalents comprised of options exercisable into 4,562,592 shares of the Company’s common stock, warrants exercisable into 5,696,575 shares of the Company’s common stock and notes convertible into 2,733,329 shares of the Company’s common stock. For the three month periods ended March 31, 2010 and 2009, common stock equivalent shares have been excluded from the calculation of loss per share as their effect is anti-dilutive.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

The Company periodically issues stock instruments, including shares of its common stock, stock options, and warrants to purchase shares of our common stock to employees and non-employees in non-capital raising transactions for services and for financing costs. Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. Options to purchase shares of the Company's common stock vest and expire according to the terms established at the grant date.

Financial Assets and Liabilities Measured at Fair Value

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Financial assets recorded at fair value in the consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by the FASB defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
Level 3	Unobservable inputs based on the Company's assumptions.

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and unsecured accounts receivable.

The Company maintains cash balances at one bank. At times, the amount on deposit exceeds the federally insured limits. Management believes that the financial institution that holds the Company's cash is financially sound and, accordingly, minimal credit risk exists.

For the three months ended March 31, 2010, 92% of total revenues were from one customer, the City of Los Angeles. For the three months ended March 31, 2009, revenues were from contracts with the City of Los Angeles and the South Coast Air Quality Management District ("AQMD").

For the three months ended March 31, 2010, 93% of costs of revenue were to one vendor. At March 31, 2010, accounts payable to the largest vendor represented 31% of total accounts payable balances. Accounts payable to other two largest vendors represented 30% and 7%, respectively, of total accounts payable.

For the three months ended March 31, 2009, 14.8% of costs of sales incurred was to a single vendor. At March 31, 2009, accounts payable to this vendor represented 25.7% of total accounts payable. At March 31, 2009, three other vendors had balances representing 31%, 18% and 9%, respectively, of total accounts payable.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In October 2009, the FASB issued authoritative guidance on revenue recognition that will become effective in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The Company believes that the adoption of this new guidance will not have a material impact on its financial statements.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements to add new disclosure requirements for significant transfers in and out of Level 1 and 2 measurements and to provide a gross presentation of the activities within the Level 3 roll-forward. The guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The disclosure requirements are effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to present the Level 3 roll-forward on a gross basis, which is effective for fiscal years beginning after December 15, 2010. The adoption of this guidance was limited to the form and content of disclosures, and will not have a material impact on the Company's results of operations or financial condition.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 2 – COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

In May 2009, the Company received a grant of up to $400,000 from the City of Los Angeles to reimburse the Company for costs incurred in connection with the installation, demonstration and evaluation of lithium-ion powered battery packs in two of the Company's heavy-duty electric vehicles. Under the terms of the grant, the City of Los Angeles is required to reimburse the Company for up to $360,000 of the costs incurred upon the demonstration of a Nautilus E30 and a Nautilus E20 installed with lithium-ion batteries to the City of Los Angeles for testing, and up to an additional $40,000 of the costs incurred upon completion of testing required under the terms of the grant. This contract is being accounted for under the percentage of completion method. At March 31, 2010 and December 31, 2009, the contract was estimated to be approximately 99% and 90% complete, respectively.

NOTE 2 – COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS (continued)

The asset, “costs in excess of billings and estimated earnings on uncompleted contracts” and the liability, “billings in excess of costs and estimated earnings on uncompleted contracts,” represents costs incurred or billings in excess of revenue recognized at March 31, 2010 and December 31, 2009 as follows:

	March 31, 2010 (Unaudited)	December 31, 2009
Costs incurred on uncompleted contracts	$ 394,224	$ 359,350
Estimated earnings	—	—
	394,224	359,350
Less, billings to date	360,000	360,000
	$ 34,224	$ (650)
Included in accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 34,224	$ —
Billings in excess of costs and estimated earnings on uncompleted contracts	$ —	$ 650

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are comprised as follows:

	March 31, 2010 (Unaudited)	December 31, 2009
Computer equipment and software	$ 102,140	$ 100,742
Office furniture	28,484	27,704
Equipment	27,704	27,704
Leasehold improvements	21,711	21,711
Total property and equipment, cost	180,039	177,861
Less: accumulated depreciation	(73,169)	(55,610)
Property and equipment, net	$ 106,870	$ 122,251

Depreciation and amortization expense on property and equipment for the three months ended March 31, 2010 and 2009 was $17,559 and $7,658, respectively.

NOTE 4 – NOTES PAYABLE—RELATED PARTIES, UNSECURED

Notes payable to related parties, unsecured, consists of the following at:

	March 31, 2010 (Unaudited)	December 31, 2009
Notes payable to a shareholder, unsecured, interest at 8% per annum payable at maturity, due December 31, 2010	$ 15,000	$ —
Note payable to a shareholder, issued in connection with the acquisition of EMS, unsecured, interest at the prime rate per annum, payable on June 15, 2010, plus accrued interest	25,000	25,000
Total notes payable	$ 40,000	$ 25,000

NOTE 5 – LOAN PAYABLE – BRIDGE BANK

On February 25, 2009, the Company executed a Business Financing Agreement (the “Credit Agreement”) with Bridge Bank, National Association (the “Lender”). The Credit Agreement provides the Company with an accounts receivable based credit facility in the aggregate amount of up to $2,000,000 (the “Credit Facility”). The Credit Facility is formula-based and generally provides that the outstanding borrowings under the Credit Facility may not exceed an aggregate of 80% of eligible accounts receivable. The Company must immediately pay any advance made under the Credit Facility within 90 days of the earlier of (i) the invoice date of the receivable that substantiated the advance or (ii) the date on which the advance was made. The Credit Facility is secured by a continuing first priority security interest in all the Company’s personal property (subject to customary exceptions). Interest on the Credit Facility is payable monthly, at the per annum prime rate as published by the Lender plus two percentage points, subject to a minimum rate of 6.0% per annum (6% at December 31, 2009). The Credit Agreement may be terminated at any time by either party to the Credit Agreement.

At March 31, 2010 there was no balance outstanding and $3,078 was available under the terms of the Credit Facility. At December 31, 2009, $128,150 was outstanding and $6,190 was available under the terms of the Credit Facility.

NOTE 6 – SUBORDINATED UNSECURED CONVERTIBLE PROMISSORY NOTES

The amounts payable under these notes, less note discount related to the beneficial conversion feature and warrants issued with the convertible notes on March 31, 2010 and December 31, 2009 was as follows:

	March 31, 2010 (Unaudited)	December 31, 2009
Subordinated unsecured convertible notes payable, interest at 10% per annum payable quarterly, due March 31, 2012	$ 1,000,000	$ 1,000,000
Subordinated unsecured convertible notes payable, interest at 10% per annum payable quarterly, due September 1, 2012	1,300,000	—
Notes payable	2,300,000	1,000,000
Less: note discount	(1,978,270)	(790,490)
Total notes payable, net	$ 321,730	$ 209,510

Between March 25, 2009 and June 23, 2009, the Company entered into agreements with 34 accredited investors for the sale by the Company of an aggregate of $1,000,000 of 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 1,000,000 shares of the Company's common stock at a conversion price of $1.00 per share of common stock, subject to adjustment. Additionally, the Company issued three-year warrants to purchase an aggregate of 1,000,000 shares of the Company's common stock at an exercise price of $1.50 per share. The conversion price is only subject to adjustment based on stock splits, stock dividends, spin-offs, rights offerings, or recapitalization through a large, nonrecurring cash dividend.

The Company determined that the relative fair value of the warrants was $639,061. The relative fair value was determined using the methodology prescribed by current accounting guidance. The Company determined the initial fair value of the beneficial conversion feature was approximately $360,939. These amounts were calculated under a Black-Scholes option pricing model using as assumptions an expected life of 3 years, an industry volatility of 54.39%, a risk free interest rate of 1.15%, and no expected dividend yield. The relative value of the warrants of $639,061 and the beneficial conversion feature of $360,939 was recorded by the Company as a loan discount of $1,000,000, which the Company is amortizing to interest expense over the life of the notes.

Between February 5, 2010 and March 31, 2010, the Company entered into agreements with seven accredited investors for the sale by the Company of an aggregate of $1,300,000 of 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 1,733,329 shares of the Company's common stock at a conversion price of $0.75 per share of common stock, subject to adjustment. Additionally, the Company issued three-year warrants to purchase an aggregate of 1,733,329 shares of the Company's common stock at an exercise price of $0.50 per share. The proceeds of $1,300,000 are allocated to working capital.

The Company determined that the relative fair value of the warrants was $633,269. The relative fair value was determined using the methodology prescribed by current accounting guidance. The Company

NOTE 6 – SUBORDINATED UNSECURED CONVERTIBLE PROMISSORY NOTES (continued)

determined the initial fair value of the beneficial conversion feature was approximately $666,731. These amounts were calculated under a Black-Scholes option pricing model using as assumptions an expected life of 3 years, an industry volatility of between 95% and 116%, a risk free interest rate of 1.47%, and no expected dividend yield. The relative value of the warrants of $633,269 and the beneficial conversion feature of $666,731 was recorded by the Company as a loan discount of $1,300,000, which the Company is amortizing to interest expense over the life of the notes.

At March 31, 2010, the total discount of $1,798,270 is offset against the balance of the convertible notes for financial statement presentation. At December 31, 2009 the total discount of $790,490 is offset against the balance of the convertible notes for financial statement presentation. During the three month period ended March 31, 2010 and March 31, 2009, amortization of loan discount was $112,219 and none, respectively.

NOTE 7 – INCOME TAXES

At March 31, 2010, the Company had available Federal and state net operating loss carryforwards to reduce future taxable income. The amounts available were approximately $11,500,000 for federal and for state purposes. The Federal carryforward expires in 2028 and the state carryforward expires in 2018.

Given the Company's history of net operating losses, management has determined that it is more likely than not the Company will be able to realize the tax benefit of the carryforwards.

Accordingly, the Company has not recognized a deferred tax asset for this benefit. Upon the attainment of taxable income by the Company, management will assess the likelihood of realizing the tax benefit associated with the use of the carryforwards and will recognize a deferred tax asset at that time.

Current standards require that a valuation allowance be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

Significant components of the Company's deferred income tax assets are as follows:

	March 31, 2010 (Unaudited)	December 31, 2009
Deferred income tax asset:		
Net operating loss carryforward	$ 4,596,566	$ 4,374,000
Valuation allowance	(4,596,566)	(4,374,000)
Net deferred income tax asset	$ —	$ —

NOTE 7 – INCOME TAXES (continued)

Reconciliation of the effective income tax rate to the U.S. statutory rate is as follows:

	March 31, 2010 (Unaudited)	December 31, 2009
Tax expense at the U.S. statutory income tax	(34.0)%	(34.0)%
State tax net of federal tax benefit	(5.8)%	(5.8)%
Increase in the valuation allowance	39.8%	39.8%
Effective tax rate	__%	__%

The Company adopted authoritative guidance issued by the GAAP which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the current accounting guidelines, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Current accounting guidelines also provide guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and require increased disclosures. At the date of adoption, and as March 31, 2010 and December 31, 2009, the Company does not have a liability for unrecognized tax benefits.

NOTE 8 – SHAREHOLDERS' EQUITY

On February 2, 2010, the Company issued 200,000 shares of its common stock in consideration of consulting services rendered, or to be rendered, from February 1, 2010 through July 31, 2010. The aggregate fair value of these shares was determined to be $208,000 based on the closing price of the Company's shares on February 2, 2010.

During February and March, 2010, the Company raised an aggregate of $1,300,000 from the sale of 10% Unsecured Subordinated Convertible Promissory Notes. In connection with the sale of certain of these notes, the Company issued three year warrants to purchase 15,999 shares of its common stock at an exercise price of $0.50 per share in consideration of finder services rendered. The Company determined that the aggregate fair value of these warrants was $14,000. The fair value was determined using the methodology prescribed by current accounting guidance. These amounts were calculated under a Black-Scholes option pricing model using as assumptions an expected life of 3 years, an industry volatility of between 95% and 116%, a risk free interest rate of 1.47%, and no expected dividend yield.

NOTE 9 – STOCK OPTIONS AND WARRANTS

Stock Options

At March 31, 2010, options shares outstanding were as follows:

	Shares	Weighted Average Exercise Price
Balance at January 1, 2010	4,562,592	$ 2.00
Granted	—	—
Exercised	—	—
Cancelled	—	—
Balance at March 31, 2010	4,562,592	$ 2.00

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number of Shares Underlying Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (in years)**	**Number of Shares**	**Weighted Average Exercise Price**
$1.50	1,520,864	$ 1.50	0.25	1,520,864	$ 1.50
$2.00	1,520,864	$ 2.00	1.27	1,520,864	$ 2.00
$2.50	1,520,864	$ 2.50	2.28	1,520,864	$ 2.50
	4,562,592			4,562,592	

At March 31, 2010, the aggregate intrinsic value of the 4,562,592 options outstanding and exercisable was zero. At March 31, 2010, all options were vested and there were no unvested options outstanding.

Warrants

At March 31, 2010, warrants shares outstanding were as follows:

	Shares	Weighted Average Exercise Price
Balance at January 1, 2010	3,947,247	$ 1.50
Granted	1,749,328	$ 0.50
Exercised	—	—
Cancelled	—	—
Balance at March 31, 2010	5,696,575	$ 1.27

NOTE 9 – STOCK OPTIONS AND WARRANTS (continued)

Warrants (continued)

During February and March 2010, the Company raised an aggregate of $1,300,000 through the issuance of its 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 1,733,329 shares of the Company's common stock at a conversion price of $0.50 per share of common stock, subject to adjustment, to 7 accredited investors. In connection with this offering, the Company also issued three year warrants to purchase an aggregate of 1,733,329 shares of common stock at an exercise price of $0.50 per share.

During February and March 2010, in connection with the sale of certain of the 10% Unsecured Subordinated Convertible Promissory Notes, the Company issued three year warrants to purchase 15,999 shares of its common stock at an exercise price of $0.50 per share to two accredited investors in consideration of finder services rendered.

The following table summarizes information about stock warrants outstanding and exercisable as of March 31, 2010:

	Warrants Outstanding			Warrants Exercisable	
Range of Exercise Prices	Number of Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Number of Shares	Weighted Average Exercise Price
$0.50	1,749,328	$ 0.50	2.5	1,749,328	$ 0.50
$1.50	3,338,062	$ 1.50	1.7	3,338,062	$ 1.50
$2.00	304,592	$ 2.00	1.1	304,592	$ 2.00
$2.50	304,592	$ 2.50	2.1	304,592	$ 2.50
	5,696,575			5,696,575	

At March 31, 2010, the aggregate intrinsic value of the warrants outstanding and exercisable was zero.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

City of Los Angeles Agreement

On June 26, 2008, the Company entered into an agreement with the City of Los Angeles to manufacture and deliver 20 electric yard tractors, 5 short-haul electric tractors, and associated equipment including chargers, batteries and controllers for a total of $5,383,750. As of December 31, 2009, the Company had delivered 14 electric yard tractors to the City of Los Angeles.

As of March 31, 2010, the Company had delivered 14 electric yard tractors to the City of Los Angeles. The Company expects to deliver the remaining 6 electric yard tractors, 5 short-haul electric tractors and associated equipment to the City of Los Angeles by September 30, 2010. Of the Company's backlog of $2,747,856 on March 31, 2010, $2,406,200 was attributable to the eleven electric vehicles and associated parts the Company is required to deliver under its agreement with the City of Los Angeles.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

City of Los Angeles Agreement (continued)

Under its agreement with the City of Los Angeles, the Company agreed to move its research and production facilities to the City of Los Angeles and also agreed to pay the City of Los Angeles a royalty fee of $1,000 per electric vehicle it sells to a purchaser other than the City of Los Angeles or the AQMD.

During 2009, under the terms of the Company's agreement with the City of Los Angeles, the Company requested and was issued an advance payment in the amount of $1,159,601. This advance payment was recorded as a customer deposit. This customer deposit will be applied against the Company's final invoices under its purchase order for 25 electric vehicles.

NOTE 11 - SUBSEQUENT EVENTS

Sale of 10% Unsecured Subordinated Convertible Promissory Notes

Between April 5 and 12, 2010, the Company entered into agreements with four accredited investors for the sale by the Company of an aggregate of $200,000 of 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 266,664 shares of the Company's common stock at a conversion price of $0.75 per share of common stock, subject to adjustment. Additionally, the Company issued three-year warrants to purchase an aggregate of 266,664 shares of the Company's common stock at an exercise price of $0.50 per share. The proceeds of $200,000 are allocated to working capital.

The Company determined that the relative fair value of the warrants was $77,907. The relative fair value was determined using the methodology prescribed by current accounting guidance. The Company determined the initial fair value of the beneficial conversion feature was approximately $122,093. These amounts were calculated under a Black-Scholes option pricing model using as assumptions an expected life of 3 years, an industry volatility of between 95% and 116%, a risk free interest rate of 1.47%, and no expected dividend yield. The relative value of the warrants of $77,907 and the beneficial conversion feature of $122,093 will be recorded by the Company as a loan discount of $200,000, which the Company will amortize to interest expense over the life of the notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and the related notes to financial statements included elsewhere in this report. This report and our financial statements and notes to financial statements contain forward-looking statements, which generally include the plans and objectives of management for future operations, including plans and objectives relating to our future economic performance and our current beliefs regarding revenues we might generate and profits we might earn if we are successful in implementing our business strategies. Our actual results could differ materially from those expressed in these forward-looking statements as a result of any number of factors, including those set forth under the "Risk Factors" section and elsewhere in this report. The forward-looking statements and associated risks may include, relate to or be qualified by other important factors, including, without limitation:

- the projected growth or contraction in the industries within which we operate;
- our business strategy for expanding, maintaining or contracting our presence in these markets;
- anticipated trends in our financial condition and results of operations; and
- our ability to distinguish ourselves from our current and future competitors.

We do not undertake to update, revise or correct any forward-looking statements.

Any of the factors described above, elsewhere in this report or in the "Risk Factors" section of this report could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from prior results, which in turn could, among other things, cause the price of our common stock to fluctuate substantially.

Overview

We design, assemble and market zero-emissions heavy-duty electric vehicles for use in the transportation of containers and heavy loads at facilities such as marine terminals, rail yards, industrial warehouses, intermodal facilities (facilities where freight is transferred from one mode of transportation to another without actual handling of the freight itself when changing modes), military bases and industrial plants. We currently sell our heavy-duty electric vehicles for use at the Port of Los Angeles and have also sold a heavy-duty electric vehicle for use in a demonstration program to the California South Coast Air Quality Management District, or AQMD. We also design, assemble and market components for electric vehicles including flux vector motor controllers (which control the speed of an electric motor by varying the input frequency and voltage from a vehicle's batteries), electric drive systems (each system includes an electric motor, a flux vector motor controller, a transmission assembly and related propulsion software) and battery modules (which features our proprietary battery management system, or BMS, an electronic device mounted on each battery cell to monitor the state of charge of the battery, including its temperature, voltage and current during charge and discharge cycles) to original equipment manufacturers, or OEMs, of automotive products.

On October 24, 2008, we completed an Agreement and Plan of Merger, or Merger Transaction, with Balqon Corporation, a California corporation, or Balqon California, and changed our name from BMR Solutions, Inc. to Balqon Corporation. Upon completion of the Merger Transaction, we acquired the business of Balqon California.

In May 2008, we received a purchase order from the AQMD for one of our Nautilus E20 heavy-duty electric yard tractors. We delivered a Nautilus E20 to the AQMD in March 2009. In June 2008, we received a purchase order from the City of Los Angeles for 20 Nautilus E20 heavy-duty electric yard tractors and five Nautilus E30 short-haul tractors. The purchase order from the City of Los Angeles is pursuant to an agreement with the City of Los Angeles, dated June 26, 2008, or City of Los Angeles Agreement. Previously, we believed that we would deliver the 25 Nautilus tractors ordered under the City of Los Angeles purchase order by December 31, 2009. However, primarily due to working capital constraints, we have revised our initial forecast, and we now believe that we will deliver the remaining 6 Nautilus XE20s and 5 Nautilus XE30s to the City of Los Angeles by September 30, 2010.

In May 2009, we received a grant of up to $400,000 from the City of Los Angeles to reimburse us for costs we incur in connection with the installation, demonstration and evaluation of lithium-ion powered battery modules in two of our zero emissions Nautilus vehicles, or Lithium-ion Grant. In 2009, we released our lithium-ion battery powered product line of heavy-duty electric trucks and tractors with the capability to transport over 30 tons of load in off-highway and on-highway applications. In 2009, we also upgraded all our heavy-duty electric vehicles from lead acid batteries to lithium-ion batteries. Prior to the incorporation of lithium-ion battery modules into our electric vehicles, our Nautilus product line featured predecessors of the Nautilus XE20 and Nautilus XE30, the Nautilus E20 and Nautilus E30, respectively, which were powered by lead acid battery modules. As of the date of this report, our product portfolio features two products in our Nautilus product line, the Nautilus XE20, a heavy-duty electric yard tractor, and the Nautilus XE30, a heavy-duty electric short-haul tractor. In addition, our product portfolio features a heavy-duty Class 7 and Class 8 electric truck, the Mule M150, which is designed as a zero emissions solution to transport loads of up to 7 tons in short-haul on-highway applications.

In January 2010, we released our lithium-ion battery powered yard tractor, the Nautilus XE20, with a range of 95 miles and maximum speed of 25 miles per hour under unloaded conditions. The Nautilus XE20 incorporates our latest drive system and proprietary BMS on a Autocar Xspotter yard tractor chassis.

In February 2010, we successfully completed eight weeks of cold weather testing on our Nautilus XE20 in actual industrial applications during two eight hour shift operations at temperatures below 10 ° F under loads exceeding 30 tons.

During the three months ended March 31, 2010, we expanded our sales force to include dealers in Argentina and Columbia. In February 2010, we entered into an agreement with Autoelevadores Yale, a leading distributor of material handling equipment and electric vehicles in Argentina, under which Autoelevadores Yale agreed to distribute our heavy-duty electric vehicles in Argentina. Autoelevadores Yale also provides servicing and parts for our products in the region. In March 2010, we entered into an agreement with Industrias Ivor, a leading distributor of material handling equipment in Colombia. The agreement calls for Industrial Ivor to provide sales and service for our off-highway and on-highway product lines in Colombia.

In March 2010, we completed design and testing of our proprietary BMS, which monitors battery condition and balances battery cells during charge and discharge cycles. Our proprietary software allows our BMS to be used on any battery cell chemistry. We use our proprietary BMS in all our heavy-duty electric vehicles. In addition, we market our battery modules to other OEMs worldwide. As of the date of this filing, we have received purchase orders for our battery modules and heavy-duty electric drive systems from OEMs of electric and hybrid buses.

Our total revenues decreased by $738,583, or 95%, to $38,067 for the three months ended March 31, 2010 as compared to $776,650 for the three months ended March 31, 2009. We reported a net loss of $1,000,346 for the three months ended March 31, 2010 as compared to a net loss of $602,528 for the three months ended March 31, 2009. The decline in our financial performance during the first quarter of 2010 is a result of the lack of vehicle sales during the three months ended March 31, 2010 as compared to the sales of two vehicles and a battery charger during the three months ended March 31, 2009. The lack of sales during the three months ended March 31, 2010 is a direct result of a lack in working capital during the three months ended March 31, 2010.

All of our revenues for the three months ended March 31, 2009 were from the sale of a battery charger and one electric truck to the City of Los Angeles and one electric truck to the AQMD. During the three months ended March 31, 2010, 92% of our revenues were derived from progress work on the Lithium-ion Grant and the remaining 8% of revenues were from the sale of parts to a commercial customer. The revenues and costs associated with the Lithium-ion Grant are recorded as contract revenues and costs. As such, the costs associated with the development of our demonstration vehicle are recorded as "contract costs," not as research and development expenses.

During the three months ended March 31, 2010, we received purchase orders in the aggregate amount of $172,018 from two customers for our flux vector motor controllers and a purchase order from an international customer in the amount of $152,218 for our electric drive systems.

While $2,406,200 of our current backlog of $2,747,856 for our heavy-duty electric vehicles is attributable to our outstanding purchase order from the City of Los Angeles, we are actively pursuing a more diversified customer base and we believe that we will sell, in the aggregate, over 500 of our heavy-duty electric vehicles to customers other than the AQMD or the City of Los Angeles by December 31, 2011. We anticipate that a majority of future sales of our heavy-duty electric vehicles will be made directly to end users, such as large terminal operators, shipping companies and OEMs, rather than directly to governmental agencies such as the AQMD and the City of Los Angeles. Our expectation that a majority of future sales of our heavy-duty electric vehicles will be made directly to end users is based, in part, on the results of our initial test of the Nautilus XE30 powered by lithium-ion batteries and our agreement with Autocar LLC, or Autocar, to collaborate on the development, marketing and sale of on-highway Class 7 and Class 8 zero emissions electric vehicles. In addition, we expect to use Autocar's existing authorized dealer network to sell our heavy-duty electric vehicles. Our expectations regarding future customers are also based on our current on-going discussions with potential customers located in Canada, Asia, Latin America and Europe, and additional governmental incentives and funding that we believe will become available for electric vehicles, which, in turn, are expected to improve the competitive advantage of our electric vehicles.

Critical Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our financial statements:

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Material estimates relate to the recognition of contract revenues and estimated costs to complete contracts in process, and recoverability of reported amounts of long-lived assets. Actual results may differ from those estimates.

Revenues

Contract Revenue and Cost Recognition on Prototype Vehicles. In accounting for contracts, we recognize revenues using the percentage-of-completion method of accounting by relating contract costs incurred to date to the total estimated costs at completion. This method is used because management considers costs to be the best available measure of progress on its contracts. Contract losses are provided for in their entirety in the period that they become known, without regard to the percentage-of-completion. We also recognize as revenues costs associated with claims and unapproved change orders to the extent it is probable that such claims and change orders will result in additional contract revenue, and the amount of such additional revenue can be reliably estimated.

Contract costs include all direct material and labor costs. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of revenues earned.

Sales of Production Units and Parts. We recognize revenue from the sale of completed production units and parts when there is persuasive evidence that an arrangement exists, delivery of the product has occurred and title has passed, the selling price is both fixed and determinable, and collectability is reasonably assured, all of which generally occurs upon shipment of our product or delivery of the product to the destination specified by the customer.

We determine whether delivery has occurred based on when title transfers and the risks and rewards of ownership have transferred to the buyer, which usually occurs when we place the products with the buyer’s carrier. We regularly reviews our customers’ financial positions to ensure that collectability is reasonably assured. Except for warranties, we have no post-sales obligations.

Product Warranties

We provide limited warranties for parts and labor at no cost to our customers within a specified time period after the sale. We estimate the actual historical warranty claims coupled with an analysis of unfulfilled claims at the balance sheet date. As of March 31, 2010 and December 31, 2009, we had no warranty reserve nor did we incur warranty expenses during the quarterly periods ended March 31, 2010 or 2009.

Stock-Based Compensation

We periodically issue stock instruments, including shares of our common stock, stock options and warrants to purchase shares of our common stock to employees and non-employees in non-capital raising transactions for services and for financing costs.

We adopted “Accounting for Stock-Based Compensation,” effective January 1, 2006, and are using the modified prospective method in which compensation cost is recognized beginning with the effective date (a) for all share-based payments granted after the effective date and (b) for all awards granted to employees prior to the effective date that remain unvested on the effective date. We account for stock option and warrant grants issued and vesting to non-employees whereby the fair value of the stock compensation is based on the measurement date as determined at either (i) the date at which a performance commitment is reached, or (ii) at the date at which the necessary performance to earn the equity instrument is complete.

We estimate the fair value of stock options and warrants using the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of options that have no vesting restrictions and are fully transferable. This model requires the input of subjective assumptions, including the expected price volatility of the underlying stock and the expected life of stock options. Projected data related to the expected volatility of stock options is based on the average volatility of the trading prices of comparable companies and the expected life of stock options is based upon the average term and vesting schedules of the options. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore the existing valuation models do not provide a precise measure of the fair value of our employee stock options.

We estimate the fair value of shares of common stock issued for services based on the closing price of our common stock on the date shares are granted. For periods prior to the consummation of the Merger Transaction, there was no readily available market quotations for our shares of common stock and, as such, we used alternative methods to value shares of our common stock including valuations based upon the conversion price per share of common stock of our convertible notes and the sale price of units consisting of one share of our common stock and warrants to purchase one share of common stock, which management believes were the best indicators of the fair value of our common stock.

Goodwill and Intangible Assets

Management performs impairment tests of goodwill and indefinite-lived intangible assets whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Management performs impairment testing of goodwill and indefinite-lived intangible assets at least annually.

Management tests goodwill for impairment at the reporting unit level. We only have one reporting unit. At the time of goodwill impairment testing, management determines fair value through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved with its reporting unit. If the calculated fair value is less than the current carrying value, impairment may exist. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing in the absence of available domestic and international transactional market evidence to determine the fair value. The key assumptions used in the discounted cash flow valuation model for impairment testing include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the Weighted Average Cost of Capital, or WACC, methodology. The WACC methodology considers market and industry data as well as Balqon-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and Balqon-specific historical and projected data, develops growth rates and cash flow projections for Balqon. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow valuation model, the aggregate fair value of all reporting units is reconciled to our total market capitalization. The discounted cash flow valuation methodology and calculations will be used in 2009 impairment testing. Our first impairment test of the goodwill and trade secrets we acquired from EMS was conducted during the fourth quarter of 2009. This impairment test did not indicate that the goodwill and trade secrets we acquired from EMS were impaired as of December 31, 2009.

We review intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset exceeds its undiscounted cash flows, we write-down the carrying value of the intangible asset to its fair value in the period identified. If the carrying value of assets is determined not to be recoverable, we record an impairment loss equal to the excess of the carrying value over the fair value of the assets. Our estimate of fair value is based on the best information available to us, in the absence of quoted market prices. We generally calculate fair value as the present value of estimated future cash flows that we expect to generate from the asset using a discounted cash flow income approach as described above. If the estimate of an intangible asset's remaining useful life is changed, we amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

Impairment of Long-Lived Assets

The Financial Accounting Standards Board, or FASB, has established guidelines regarding when impairment losses on long-lived assets, which include property and equipment, should be recognized and how impairment losses should be measured. Guidance of the FASB also provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. We periodically review, at least annually, such assets for possible impairment and expected losses. If any losses are determined to exist they are recorded in the period when such impairment is determined. Based upon management's assessment, there are no indicators of impairment of our long lived assets at March 31, 2010 or December 31, 2009.

Income Taxes

We recognize income taxes for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in our financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Results of Operations

We have based our financial statements on the assumption of our operations continuing as a going concern. As of March 31, 2010, we had a working capital deficiency of $898,282, an accumulated deficit of $12,036,606 and reported a net loss for the quarter ended March 31, 2010 of $1,000,346, which raise substantial doubt about our ability to continue as a going concern. Our plans for correcting these deficiencies include the future sales of our products and technologies and the raising of capital, which are expected to help provide us with the liquidity necessary to meet operating expenses.

During July, September and October 2008, Balqon California raised approximately $1,885,000 in connection with private placements of convertible promissory notes, common stock and warrants. During December 2008, we raised $210,000 in connection with a private placement of our common stock and warrants. During March 2009 and June 2009, we raised an aggregate of $1,000,000 in connection with a private placement of convertible notes and warrants. Between February 5, 2010 and April 12, 2010, we raised $1,500,000 in connection with a private placement of convertible notes and warrants.

Over the longer-term, we plan to achieve profitability through our operations from the sale of our heavy-duty electric vehicles and drive systems. Our financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue our existence.

The tables presented below, which compare our results of operations for the three months ended March 31, 2009 and 2010, present the results for each period, the change in those results from one period to another in both dollars and percentage change, and the results for each period as a percentage of net revenues. The columns present the following:

- The first two data columns in each table show the absolute results for each period presented.
- The columns entitled “Dollar Variance” and “Percentage Variance” show the change in results, both in dollars and percentages. These two columns show favorable changes as a positive and unfavorable changes as negative. For example, when our net revenues increase from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative in both columns.
- The last two columns in each table show the results for each period as a percentage of net revenues.

	Three Months Ended March 31,		Dollar Variance	Percentage Variance	Results as a Percentage of Net Revenues for the Three Months Ended March 31,	
	2010	2009	Favorable (Unfavorable)	Favorable (Unfavorable)	2010	2009
Net revenues	$ 38,067	$ 776,650	$ (738,583)	(95)%	100%	100%
Cost of revenues	37,593	747,620	710,027	95%	99%	96%
Gross profit	475	29,030	(28,555)	(98)%	1%	4%
Operating and interest expenses	1,000,821	631,558	(369,263)	(58)%	2,629%	81%
Net loss	$ (1,000,346)	$ (602,528)	$ (397,818)	66%	(2,628)%	(78)%

Net Revenues. The decrease in revenues is a result of the lack of sales of our electric vehicles during the three months ended March 31, 2010 as compared to the sales of two vehicles and a battery charger during the three months ended March 31, 2009. During the three months ended March 31, 2010, our revenues included contract revenues of $34,874 from progress work toward completion of the Lithium-Ion Grant.

Gross Profit. During the three months ended ending March 31, 2010, costs of revenues decreased by $710,027 largely due to the lack of sales. The gross profit margin of 3% during the three months ended March 31, 2010 is comprised of a 15% gross margin on the sale of $3,193 of parts, reduced by a zero gross profit on the Lithium-Ion Grant. The gross profit of 4% realized during the three months ended March 31, 2009 is comprised of a 12.2% gross profit on the sale of vehicles and parts, offset by 4% direct labor and 4.4% manufacturing overhead costs. We anticipate that our gross profit margin will be approximately 18% of net revenues for the year ending December 31, 2010 based on current cost data for the remaining 11 electrical vehicles that must be delivered under the City of Los Angeles Agreement and the pricing of orders we expect to receive during 2010.

Operating and Interest Expenses. The increase in operating and interest expenses was comprised of a $199,254 increase in general & administrative expenses, a $4,598 increase in research & development expenses, a $9,901 increase in depreciation and amortization, and a $155,509 increase in interest expenses.

The $199,254 increase in general and administrative expenses is attributable to several factors, including an increase in consulting fees of $232,080 for investor relations and finder services, an increase in salaries, wages and benefits of $74,674, an increase in travel expenses of $29,648 due to increased marketing activities; offset by a decrease of $138,832 in expenses for legal, accounting, audit and professional fees, offset by other net increases of $1,684.

Interest expense during the three months ended March 31, 2010 increased by $155,509, due to interest costs incurred in connection with our credit facility with Bridge Bank, interest incurred on $2,300,000 in principal of our 10% unsecured subordinated convertible promissory notes and $122,219 of amortization of the beneficial conversion feature interest cost incurred on our issuance of convertible notes and warrants.

While our general and administrative expenses are expected to increase over the near term, these expenses as a percentage of net revenues are expected to decrease as we increase our net revenues. We expect that over the near term, our general and administrative expenses will increase as a result of increased management personnel, opening of new manufacturing facilities, additional operational personnel to manufacture electric vehicles, increased legal and accounting fees associated with increased corporate governance activities in response to the Sarbanes-Oxley Act of 2002 and recently adopted rules and regulations of the Securities and Exchange Commission, or SEC, and the filing of a registration statement with the SEC.

Liquidity and Capital Resources

During the three months ended March 31, 2010, we funded our operations primarily with cash flow from financing activities, which included the issuance of secured and unsecured debt and the issuance of equity securities. As of March 31, 2010, we had a working capital deficiency of $898,282 as compared to a working capital deficiency of $1,563,117 at December 31, 2009. At March 31, 2010 and December 31, 2009 we had an accumulated deficit of $12,036,606 and $11,036,260, respectively, and cash and cash equivalents of $527,284 and $118,635, respectively.

During 2009, under the terms of the City of Los Angeles Agreement, we were issued an advance in the amount of $1,159,601 against a purchase order for 25 electric vehicles issued under the City of Los Angeles Agreement.

Our available capital resources at March 31, 2010 consisted primarily of approximately $527,284 in cash and cash equivalents. We expect that our future available capital resources will consist primarily of cash on hand, cash generated from our business, if any, and future debt and/or equity financings, if any.

Cash used in operating activities for the three months ended March 31, 2010 was $776,023 as compared to $844,043 of cash used in operating activities for the three months ended March 31, 2008, and includes a net loss of $1,000,346, depreciation and amortization of $33,139, fair value of common stock and warrants of $222,000, amortization of note discount of $112,219 and net decrease in operating assets and liabilities of $143,035. Material changes in asset and liabilities at March 31, 2010 as compared to December 31, 2009 that affected these results include:

- a decrease in accounts receivable of $164,077;
- an increase in costs and estimated earnings in excess of billings on uncompleted contracts of $34,224;
- an increase in inventory of $236,840;
- a decrease in prepaid expenses of $16,636; and
- a net decrease in accounts payable and accrued expenses of $52,034.

Cash used in investing activities totaled $2,178 for the three months ended March 31, 2010 as compared to $8,986 of cash used in investing activities for the three months ended March 31, 2009.

Cash provided by financing activities totaled $1,186,850 for the three months ended March 31, 2010 as compared to $537,163 for three months ended March 31, 2009.

In July 2008, Balqon California raised an aggregate of $500,000 through the issuance of senior secured convertible promissory notes to five accredited investors. The senior secured convertible promissory notes had a conversion price of $1.00 per share. In connection with this offering, Balqon California also issued three-year warrants to acquire up to an aggregate of 500,000 shares of common stock at an exercise price of $1.50 per share. The senior secured convertible promissory notes were converted into an aggregate of 514,582 shares of common stock of Balqon California immediately preceding the closing of the Merger Transaction.

In September 2008, Balqon California raised an aggregate of $810,000 through the issuance of convertible promissory notes to 15 accredited investors. The convertible promissory notes had a conversion price of $1.00 per share. In connection with this offering, Balqon California also issued three-year warrants to acquire up to an aggregate of 810,000 shares of common stock at an exercise price of $1.50 per share. The convertible promissory notes were converted into an aggregate of 818,766 shares of common stock of Balqon California immediately preceding the closing of the Merger Transaction.

In October 2008, Balqon California raised an aggregate of $575,000 through the issuance of an aggregate of 575,000 shares of common stock to six accredited investors. In connection with this offering, Balqon California also issued three-year warrants to purchase an aggregate of 575,000 shares of common stock at an exercise price of $1.50 per share.

In June 2008, Balqon California issued 2,916,725 shares of common stock and warrants to purchase 729,180 shares of common stock to Marlin Financial in consideration of business strategy and financial advisory services rendered to Balqon California. In consideration of such issuance, Marlin Financial Group, Inc. acted as a finder in connection with the private placement offerings completed in September 2008 and October 2008.

In December 2008, we raised an aggregate of $210,000 through the issuance of 210,000 shares of common stock to ten accredited investors. In connection with this offering, we also issued three-year warrants to purchase an aggregate of 210,000 shares of common stock at an exercise price of $1.50 per share.

During March 2009 and June 2009, we raised an aggregate of $1,000,000 through the issuance of convertible notes to 34 accredited investors. The convertible notes are convertibles into an aggregate of 1,000,000 shares of our common stock. In connection with this offering, we also issued three-year warrants to purchase an aggregate of 1,000,000 shares of common stock at an exercise price of $1.50 per share.

Between February 5, 2010 and April 12, 2010, we raised an aggregate of $1,500,000 through the issuance of convertible notes to 11 accredited investors (of which $1,300,000 was raised during the three months ended March 31, 2010). The convertible notes are convertibles into an aggregate of 1,999,993 shares of our common stock. In connection with this offering, we also issued three-year warrants to purchase an aggregate of 1,999,993 shares of common stock at an exercise price of $0.50 per share.

We are obligated under registration rights agreements related to above described private placement to file a registration statement with the SEC, registering for resale the shares of common stock underlying the convertible notes and warrants issued in the private placement transactions consummated between March 2009 and April 2010.

Effective February 18, 2009, we entered into a Business Financing Agreement with Bridge Bank, National Association, or the Bridge Bank Agreement. The Bridge Bank Agreement, as amended to date, provides us with an accounts receivable based credit facility in the aggregate amount of up to $2,000,000.

The credit facility is formula-based and generally provides that the outstanding borrowings under the credit facility may not exceed an aggregate of 80% of eligible accounts receivable. We must immediately pay any advance made under the credit facility within 90 days of the earlier of (i) the invoice date of the receivable that substantiated the advance or (ii) the date on which the advance was made. Interest on the credit facility is payable monthly. As of March 31, 2010, there were no borrowings outstanding under the facility and availability under the credit facility was $3,078. As of December 31, 2009, eligible accounts receivable was $167,925 and availability under the credit facility was $6,190.

The interest rate on our credit facility is variable and is adjusted monthly based on the per annum prime rate as published by Bridge Bank plus two percentage points, subject to a minimum rate of 6.0% per annum.

In the event of a default and continuation of a default, Bridge Bank may accelerate the payment of the principal balance requiring us to pay the entire indebtedness outstanding on that date. Upon the occurrence and during the continuation of an event of default, the interest rate applicable to the outstanding balance borrowed under the credit facility will be increased by five percentage points above the per annum interest rate that would otherwise be applicable.

The credit facility is secured by a continuing first priority security interest in all of our personal property (subject to customary exceptions). The credit facility may be terminated at any time by either party.

Our plan of operations for the next 12 months includes completion and delivery of the remaining heavy-duty electric vehicles under the City of Los Angeles Agreement, together with associated equipment including batteries and chargers. We also expect to receive additional orders for our products over the next 12 months. We expect that the anticipated gross margin from the sales of these products will provide additional liquidity and capital resources. Our ability to increase the number of orders for our products and/or to achieve sufficient gross margin through the sale of products to provide us with meaningful additional liquidity and capital resources is subject to, among other things, the effect of the current global economic crisis and our ability to raise additional capital.

During 2010, we expect to incur approximately $500,000 in research and development expenses. We believe that we presently have sufficient plant and production equipment to meet our current operational plan and we do not intend to dispose of any plant and equipment.

We presently have 15 employees and expect to hire additional personnel to meet production demands of increased product sales. Until these new sales materialize, our present staff is sufficient to meet our current operational plan.

Our continued operations are dependent on securing additional sources of liquidity through debt and/or equity financing. As indicated above, our financial statements as of March 31, 2010 and December 31, 2009 and for the year ended December 31, 2009 have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As discussed in this report and in notes to our financial statements included in this report, we have suffered recurring losses from operations and at March 31, 2010 we had an accumulated deficit of $12,036,606. These factors, among others, raised substantial doubt about our ability to continue as a going concern and, with respect to our financial position on December 31, 2009, led our independent registered public accounting firm to include in their report an explanatory paragraph related to our ability to continue as a going concern. The financial statements included in this report do not include any adjustments that might result from the outcome of this uncertainty.

We have been, and currently are, working toward identifying and obtaining new sources of financing. No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that we are able to obtain will likely include financial and other covenants that will restrict our flexibility. At a minimum, we expect these covenants to include restrictions on our ability to pay dividends on our common stock. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

If adequate funds are not available, we may be required to delay, scale back or eliminate portions of our operations and product and service development efforts or to obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain of our technologies or potential products or other assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of our proprietary technology and other important assets and could also adversely affect our ability to fund our continued operations and our product and service development efforts.

Backlog

As of May 7, 2010, we had a backlog of approximately $2,747,856. Our backlog includes $2,406,200 from a contract to produce and deliver six electric yard tractors and five electric short-haul tractors (and associated equipment), flux vector motor controllers, drive systems and battery modules. We believe that products in our backlog will be shipped by December 31, 2010. Our backlog includes an order in the amount of $152,218 from an international customer to purchase our electric drive systems and orders in the aggregate amount of $172,018 from two customers to purchase our flux vector motor controllers.

Effects of Inflation

The impact of inflation and changing prices has not been significant on the financial condition or results of operations of our company.

Impacts of New Accounting Pronouncements

In October 2009, the FASB issued authoritative guidance on revenue recognition that will become effective in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. We believe the adoption of this new guidance will not have a material impact on our financial statements.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements to add new disclosure requirements for significant transfers in and out of Level 1 and 2 measurements and to provide a gross presentation of the activities within the Level 3 roll-forward. The guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The disclosure requirements are effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to present the Level 3 roll-forward on a gross basis, which is effective for fiscal years beginning after December 15, 2010. The adoption of this guidance was limited to the form and content of disclosures, and will not have a material impact on our results of operations or financial condition.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material impact on our present or future financial statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Not applicable.

ITEM 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, our principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of March 31, 2010 that our disclosure controls and procedures were effective at the reasonable assurance level.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not party to any legal proceedings.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed below and under "Risk Factors" in our Annual Report on Form 10-K for December 31, 2009 filed with the SEC on March 31, 2010, which could materially affect our business, financial condition and results of operations. The risks described below and in our Annual Report on Form 10-K for December 31, 2009 filed with the SEC on March 31, 2010, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations.

ITEM 2. Unregistered sales of Equity Securities and Use of Proceeds

On February 2, 2010, we issued 200,000 shares of its common stock to an accredited investor in consideration of consulting services (for investor relations) to be rendered between February 2010 and August 2010.

Between February 5, 2010 and April 12, 2010, we entered into agreements with 11 accredited investors for the sale by us of an aggregate of $1,500,000 of 10% Unsecured Subordinated Convertible Promissory Notes which are convertible into an aggregate of 1,999,993 shares of our common stock at a conversion price of $0.75 per share of common stock, subject to adjustment. Additionally, we issued to these investors three-year warrants to purchase an aggregate of 1,999,993 shares of common stock at an exercise price of $0.50 per share. The proceeds of $1,500,000 are allocated to working capital. In connection with the sale of certain of the 10% Unsecured Subordinated Convertible Promissory Notes, we (i) paid $12,000 in finder's fees and (ii) issued three year warrants to purchase 15,999 shares of our common stock at an exercise price of $0.50 per share to two accredited investors in consideration of finder services rendered. In addition, on March 5, 2010, in connection with the sale of $500,000 in principal amount of our 10% Unsecured Subordinated Convertible Promissory Notes, we granted to a certain accredited investor a right to buy, on or before May 15, 2010, up to an additional $500,000 in principal amount of our 10% Unsecured Subordinated Convertible Promissory Notes convertible into up to 666,666 shares of common stock at a conversion price of $0.75 per share and warrants exercisable into 666,666 shares of common stock at an exercise price of $0.50 per share for an aggregate purchase price of $500,000, which right was not exercised on or before May 15, 2010. In addition, on April 5, 2010, in connection with the sale of an aggregate of $150,000 in principal amount of our 10% Unsecured Subordinated Convertible Promissory Notes, we granted to three accredited investors the right to buy, on or before May 15, 2010, an aggregate of up to an additional $150,000 in principal amount of our 10% Unsecured Subordinated Convertible Promissory Notes convertible into up to 199,998 shares of common stock at a conversion price of $0.75 per share and warrants exercisable into 199,998 shares of common stock at an exercise price of $0.50 per share for an aggregate purchase price of $150,000, which right was not exercised on or before May 15, 2010.

The issuances of our securities described above were made in reliance upon the exemption from registration available under Section 4(2) of the Securities Act, among others, as transactions not involving a public offering. This exemption was claimed on the basis that these transactions did not involve any public offering and the purchasers in each offering were accredited or sophisticated and had sufficient access to the kind of information registration would provide. In each case, appropriate investment representations were obtained and certificates representing the securities were issued with restrictive legends. Each investor was given adequate access to sufficient information about us to make an informed investment decision. Except as set forth above, there were no commissions paid on the sale or issuance of the securities described above.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. (Removed and Reserved).

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibit Number	Description
4.1	Form of 10% Unsecured Subordinated Convertible Promissory Notes issued to certain security holders in the aggregate principal amount of $1,500,000, which are convertible into an aggregate of 1,999,993 shares of our common stock (subject to adjustment)(1)
4.2	Form of Warrants issued by the Registrant to certain security holders to purchase an aggregate of 1,999,993 shares of common stock (subject to adjustment)(1)
4.3	Form of Warrants issued by the Registrant to certain security holders to purchase an aggregate of 15,999 shares of common stock in consideration of finder services (subject to adjustment) (*)
31.1	Certification required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(*)
31.2	Certification required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(*)
32.1	Certification of President Chief Financial Officer Pursuant to 18 U.S.C. Section 350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(*)

(*) Filed herewith.
(1) Filed as an exhibit to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2010.

Signatures

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 17th day of May, 2010.

BALQON CORPORATION

By: /S/ BALWINDER SAMRA

Balwinder Samra,
Chairman of the Board, President and
Chief Executive Officer (principal executive officer)

BALQON CORPORATION
EXHIBITS FILED WITH THIS REPORT

Exhibit Number	Description
4.3	Form of Warrants issued by the Registrant to certain security holders to purchase an aggregate of 15,999 shares of common stock in consideration of finder services (subject to adjustment)
31.1	Certification required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President Chief Financial Officer Pursuant to 18 U.S.C. Section 350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 4.3

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON THE EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " SECURITIES ACT "), OR ANY STATE SECURITIES LAWS. THE SECURITIES REPRESENTED HEREBY MAY NOT BE EXERCISED, OFFERED, SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED (EACH A " TRANSFER ") EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSFER NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (B) TO THE EXTENT THE TRANSFER DOES NOT CONSTITUTE AND WILL NOT RESULT IN A VIOLATION OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS, AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT (TO THE EXTENT REQUESTED BY COUNSEL OF THE COMPANY), THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THE HOLDER HEREOF AGREES THAT IT WILL DELIVER, OR CAUSE TO BE DELIVERED, TO EACH PERSON TO WHOM THE SECURITIES HEREBY REPRESENTED ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

STOCK PURCHASE WARRANT

BALQON CORPORATION

Warrant No. PW-[__] Original Issue Date: [_______], 2010

THIS CERTIFIES that, for value received, [_______] (the "Holder"), is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase, from BALQON CORPORATION, a Nevada corporation (the " Company "), at any time immediately after the Original Issue Date upon the terms and subject to the conditions set forth herein, from the Company, [_______] ([_______]) shares of the Company's common stock, $0.001 par value per share (the " Common Stock "). The Exercise Price of one share of Common Stock under this Warrant shall be $0.50, subject to adjustment as provided herein. If the purchase rights represented by this Warrant are not exercised before the close of business on September 1, 2012, this Warrant shall be void. This " Warrant " is issued pursuant to that certain [_______], dated [_______], between the Company and the Holder (" Engagement Agreement "). The shares of Common Stock issuable upon exercise of or otherwise pursuant to this Warrant, collectively, the " Warrant Shares ". This Warrant and the Warrant Shares are collectively referred to herein as the " Securities ."

1. **Title of Warrant**. Prior to the expiration hereof and subject to compliance with applicable laws, this Warrant and all rights hereunder are transferable, in whole or in part, at the office or agency of the Company, referred to in Section 2 hereof, by the holder hereof in person or by duly authorized attorney, upon surrender of this Warrant together with the Assignment Form annexed hereto properly endorsed.

2. **Exercise of Warrant**.

(a) The purchase rights represented by this Warrant are exercisable by the Holder by the surrender of this Warrant and the Notice of Exercise annexed hereto duly completed and executed on behalf of the Holder, at the office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), upon payment in cash, certified check or wire transfer of funds of the aggregate Exercise Price for that number of Warrant Shares then being purchased.

(b) This Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date, and the person entitled to receive the shares of Common Stock issuable upon such exercise shall be treated for all purposes as the holder of record of such shares as of the close of business on such date. As promptly as practicable on or after such date and in any event within ten (10) days thereafter, the Company at its expense shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of shares issuable upon such exercise. In the event that this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant of like tenor exercisable for the number of shares for which this Warrant may then be exercised. Each exercise hereof shall constitute the reaffirmation by the holder hereof that the representations and warranties contained in Section 10 hereof are true and correct in all material respects with respect to the Holder of this Warrant as of the time of such exercise.

"Exercise Date" when used herein means the date on which the Holder shall have delivered to the Company (i) this Warrant and the Notice of Exercise annexed hereto duly completed and executed on behalf of the Holder and (ii) payment in cash, certified check or wire transfer of funds.

3. **No Fractional Shares or Scrip**. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current price at which each share may be purchased hereunder shall be paid in cash to the holder of this Warrant.

4. **Charges, Taxes and Expenses**. Issuance of certificates for shares of Common Stock upon the exercise of this Warrant shall be made without charge to the holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the holder of this Warrant or in such name or names as may be directed by the holder of this Warrant; provided , however , that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the holder of this Warrant, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the holder hereof; and provided further, that upon any transfer involved in the issuance or delivery of any certificates for shares of Common Stock, the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Holder of this Warrant shall be responsible for income taxes due under federal, state, or other law, if any, if any such tax is due.

5. **Representations and Warranties**. The Holder represents and warrants to the Company that:

(a) The Holder has full power and authority to enter into the Engagement Agreement and this Warrant.

(b) The Company has made available to the Holder all the information reasonable available to the Company that the Holder has requested for deciding whether to acquire the Securities. The Holder confirms that it has been given sufficient access to information regarding the Company in connection with its decision to acquire the Securities, including the opportunity to ask questions of, and receive answers from, persons acting on behalf of the Company and concerning the Company's financial affairs, prospects and condition.

(c) The Holder (i) is resident in or otherwise subject to the securities legislation of the United States, and the issuance of the Securities to the Holder has occurred only in the United States; (ii) by reason of its or his business or financial expertise, has the capacity to protect its or his own interests in connection with its or his acquisition of the Securities; and (iii) is an "accredited investor" as defined in Rule 501 of Regulation D of the Securities Act.

(d) Except as otherwise disclosed in writing to the Company on or prior to the date of this Warrant, the Holder is not a registered broker dealer registered under Section 15(a) of the Exchange Act, or a member of the Financial Industry Regulatory Authority (" FINRA "), or an entity engaged in the business of being a broker dealer. Except as otherwise disclosed in writing to the Company on or prior to the date of this Warrant, the Holder is not affiliated with any broker dealer registered under Section 15(a) of the Exchange Act, or a member of FINRA or an entity engaged in the business of being a broker dealer.

(e) The Holder is (i) acquiring this Warrant and (ii) upon exercise of this Warrant will acquire the Warrant Shares issuable upon exercise thereof, in the ordinary course of business for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered under the Securities Act or under an exemption from such registration and in compliance with applicable federal and state securities laws, and the Holder does not have a present arrangement to effect any distribution of the Securities to or through any person or entity.

(f) The Holder acknowledges that: (i) no securities commission or similar authority has reviewed or passed on the merits of the Securities issuable hereunder; (ii) there is no government or other insurance covering such Securities; and (iii) there are risks associated with the acquisition of the Securities.

(g) The Holder acknowledges that (i) a limited public market exists for the shares of Common Stock, and no assurances can be given by the Company that any of the Warrant Shares will be registered, (ii) it must and shall bear the economic risk of holding the Securities, which may be for an indefinite period of time, because at the time such Securities are issued they will not have been registered under the Securities Act or any other securities law and, therefore, cannot be sold unless they are subsequently registered under applicable federal and state securities laws or an exemption from such registration is available; (iii) the Securities may not be resold or transferred on the official stock transfer records of Company without furnishing to Company an opinion of counsel reasonably acceptable to Company that such sale or transfer of the Securities will not violate the registration provisions of applicable federal and state securities laws; and (iv) certificates representing the Securities shall have endorsed on them a restrictive legend to this effect as set forth in Section 11(b) .

(h) The Holder, either alone or together with its representatives has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Holder understands that it must bear the economic risk of this investment in the Securities indefinitely, and is able to bear such risk and is able to afford a complete loss of such investment.

(i) The Holder understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(j) The Holder acknowledges that Company is relying on the representations, warranties, covenants and acknowledgments in this Section 5 to ensure that the Securities can be issued in reliance on exemptions from registration requirements under United States federal and state securities laws.

6. **No Rights as Stockholder**. This Warrant does not entitle the holder hereof to any voting rights or other rights as a stockholder of the Company prior to the exercise thereof. Nothing in this Warrant shall be construed to give any person, firm or corporation (other than the Company and the Holder of this Warrant) any legal or equitable right, remedy or claim, it being agreed that this Warrant shall be for the sole and exclusive benefit of the Company and the Holder of this Warrant.

7. **Exchange and Registry of Warrant**. This Warrant is exchangeable, upon the surrender hereof by the registered holder at the above-mentioned office or agency of the Company, for a new Warrant of like tenor and dated as of such exchange. The Company shall maintain at the above-mentioned office or agency a registry showing the name and address of the registered holder of this Warrant. This Warrant may be surrendered for exchange, transfer or exercise, in accordance with its terms, at such office or agency of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

8. **Loss, Theft, Destruction or Mutilation of Warrant**. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new Warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

9. **Saturdays, Sundays, Holidays, etc**. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

10. **Transferability and Nonnegotiability of Warrant**. This Warrant may not be transferred or assigned in whole or in part without compliance with all applicable federal and state securities laws by the transferor and the transferee (including the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, if such are requested by the Company). Subject to the provisions of this Warrant with respect to compliance with the Securities Act, title to this Warrant may be transferred by endorsement (by the Holder executing the Assignment Form annexed hereto) and delivery in the same manner as a negotiable instrument transferable by endorsement and delivery.

11. **Compliance With Securities Laws**.

(a) The Holder of this Warrant represents and warrants that this Warrant and the shares of Common Stock to be issued upon exercise hereof are being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder will not offer, sell or otherwise dispose of this Warrant or any shares of Common Stock to be issued upon exercise hereof except under circumstances that will not result in a violation of the Securities Act or any state securities laws. Upon exercise of this Warrant, the Holder shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the shares of Common Stock so purchased are being acquired solely for the Holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale.

(b) This Warrant and all shares of Common Stock issued upon exercise hereof shall be stamped or imprinted with a legend in substantially the following form (in addition to any legend required by state securities laws):

> NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON THE EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " SECURITIES ACT "), OR ANY STATE SECURITIES LAWS. THE SECURITIES REPRESENTED HEREBY MAY NOT BE EXERCISED, OFFERED, SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED (EACH A " TRANSFER ") EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSFER NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (B) TO THE EXTENT THE TRANSFER DOES NOT CONSTITUTE AND WILL NOT RESULT IN A VIOLATION OF APPLICABLE FEDERAL OR STATE SECURITIES LAWS, AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT (TO THE EXTENT REQUESTED BY COUNSEL OF THE COMPANY), THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THE HOLDER HEREOF AGREES THAT IT WILL DELIVER, OR CAUSE TO BE DELIVERED, TO EACH PERSON TO WHOM THE SECURITIES HEREBY REPRESENTED ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

12. **Early Termination and Reclassification**.

(a) **Merger, Sale of Assets, etc**. If all or any portion of this Warrant is exercised subsequent to a merger, consolidation, exchange of shares, reorganization, or other similar event (" Change in Control ") occurring after the date hereof, as a result of which shares shall be changed into cash, other property, or the same or a different number of shares of the same or another class or classes of securities of the Company or another entity, the Holder exercising this Warrant shall receive, for the exercise price, the aggregate amount of cash or other property and the aggregate number of shares and class of securities which the Holder would have received if this Warrant was exercised immediately before the Change in Control. If an adjustment under this section would create a fractional share or a right to acquire a fractional share, the fractional share will be rounded up to, and issued as, a whole share. If, pursuant to a Change of Control event, the shares shall be exchanged solely for cash (in such case, a " Triggering Event "), then the Company shall give the Holder written notice describing the material terms and conditions of such impending transaction not later than ten (10) days prior to the stockholders' meeting called to approve such transaction (or such longer period if required by the Nevada Revised Statutes), or ten (10) days prior to the closing of such transaction (or such longer period if required by the Nevada Revised Statutes), whichever is earlier, and shall also notify the holder of this Warrant of the final approval of such transaction.

(b) **Reclassification, etc**. If the Company at any time shall, by subdivision, combination or reclassification of securities or otherwise, change any of the securities to which purchase rights under this Warrant exist into the same or a different number of securities of any class or classes, this Warrant shall thereafter be to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant immediately prior to such subdivision, combination, reclassification or other change. If shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, the purchase price under this Warrant shall be proportionately reduced in case of subdivision of shares or proportionately increased in the case of combination of shares and the number of shares of Common Stock purchasable under this Warrant shall be proportionally increased in the case of a subdivision and decreased in the case of combination, in all cases by the ratio which the total number of shares of Common Stock to be outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

(c) **Cash Distributions**. No adjustment on account of cash dividends or interest on the Common Stock or other securities purchasable hereunder will be made to the purchase price under this Warrant.

(d) **Authorized Shares**. The Company covenants that during the period this Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of Common Stock upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of the Common Stock upon the exercise of the purchase rights under this Warrant.

13. **Miscellaneous**.

(a) **Issue Date**. The provisions of this Warrant shall be construed and shall be given effect in all respect as if it had been issued and delivered by the Company on the date hereof. This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of the State of California and for all purposes shall be construed in accordance with and governed by the laws of said state.

(b) **Restrictions**. The holder hereof acknowledges that the Common Stock acquired upon the exercise of this Warrant may have restrictions upon its resale imposed by state and federal securities laws.

(c) **Waivers and Amendments**. Any term of this Warrant may be amended with the written consent of the Company and the Holder.

(d) **Notices**. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telex, facsimile or e-mail, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Holder of this Warrant, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Holder of this Warrant, or the Company may designate by ten days' advance written notice to the other:

If to the Company:

Balqon Corporation
1420 240th Street
Harbor City, California 90710
Facsimile: (310) 326-3056

(e) **Binding Agreement; Assignment**. The terms and conditions of this Warrant shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Warrant, express or implied, is intended to confer upon any third party any rights, remedies, obligations, or liabilities under or by reason of this Warrant. This Warrant may not be assigned by Holder (other than to a Related Person) without the prior written consent of the Company. " Related Person " shall mean with respect to any Holder (i) any affiliate of such person, (ii) any investment fund, investment account or investment entity whose investment manager, investment advisor or general partner, is such Holder or any affiliate of such Holder or any member, partner, officer or employee of such Holder or any affiliate of such Holder, (iii) any member or partner of any Holder specified in clause (i) or (ii) above, and (iv) any officer or employee of any person specified in clause (i), (ii) or (iii) above.

(signature page follows)

IN WITNESS WHEREOF, BALQON CORPORATION has caused this Warrant to be executed by its officers thereunto duly authorized.

BALQON CORPORATION

By: ______________________________
Name: Balwinder Samra
Title: President and Chief Executive Officer

[_______]

By: ______________________________
Name: ______________________________
Title: ______________________________

Address: ______________________________
____
____

Telephone: ______________________________
Facsimile: ______________________________
E-mail: ______________________________

NOTICE OF EXERCISE

To: BALQON CORPORATION

(1) The undersigned Holder hereby exercises its rights to purchase _____________ shares of Common Stock of BALQON CORPORATION pursuant to the provisions of Section 2(a) of the attached Warrant, and tenders herewith payment of the purchase price for such shares in full.

(2) In exercising this Warrant, the undersigned hereby confirms and acknowledges that the shares of Common Stock to be issued upon exercise thereof are being acquired solely for the account of the undersigned and not as a nominee for any other party, and for investment, and that the undersigned will not offer, sell or otherwise dispose of any such shares of Common Stock except under circumstances that will not result in a violation of the Securities Act, or any applicable state securities laws.

(3) In exercising this Warrant, the undersigned hereby affirms that the representations and warranties contained in Section 5 of the Warrant are true and correct in all material respects.

(4) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as specified below:

____
(Name)

____
(Name)

(5) Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the undersigned or in such other name as is specified below:

____
(Name)

________________________ ______________________________
(Date) (Name)

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock set forth below:

Name of Assignee	**Address**	**No. of Shares**

and does hereby irrevocable constitute and appoint ________________________ Attorney to make such transfer on the books of BALQON CORPORATION, maintained for the purpose, with full power of substitution in the premises.

The undersigned also represents that, by assignment hereof, the Assignee acknowledges that this Warrant and the shares of Common Stock to be issued upon exercise hereof or conversion thereof are being acquired for investment and that the Assignee will not offer, sell or otherwise dispose of this Warrant or any shares of Common Stock to be issued upon exercise hereof or conversion thereof except under circumstances which will not result in a violation of the Securities Act or any state securities laws. Further, the Assignee has acknowledged that upon exercise of this Warrant, the Assignee shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the shares of Common Stock so purchased are being acquired for investment and not with a view toward distribution or resale.

Dated: ______________________________

____
Signature of Holder

EXHIBIT 31.1

CERTIFICATION

I, Balwinder Samra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Balqon Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 17, 2010

/S/ BALWINDER SAMRA
Balwinder Samra,
Chief Executive Officer (principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Robert J. Miranda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Balqon;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 17, 2010

/S/ ROBERT J. MIRANDA
Robert J. Miranda,
Chief Financial Officer (principal financial and accounting officer)

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Balqon Corporation (the “Company”) for the period ended March 31, 2010 (the “Report”), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 17, 2010

By: /s/ BALWINDER SAMRA
Balwinder Samra
President and Chief Executive Officer
(principal executive officer)

Dated: May 17, 2010

By: /s/ ROBERT J. MIRANDA
Robert J. Miranda
Chief Financial Officer
(principal financial and accounting officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.