

PLUG POWER INC
Form 10-Q
November 14, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 SEPTEMBER 30, 2013

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: 1-34392

PLUG POWER INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

968 ALBANY SHAKER ROAD, LATHAM, NEW YORK 12110

22-3672377

(I.R.S. Employer
Identification Number)

(Address of Principal Executive Offices, including Zip Code)

(518) 782-7700

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 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 of common stock, par value of \$.01 per share, outstanding as of November 4, 2013 was 102,602,414.

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PART 1. FINANCIAL INFORMATION**Item 1 Interim Financial Statements (Unaudited)****Plug Power Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)**

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,959,955	\$ 9,380,059
Accounts receivable, net	4,301,033	4,021,725
Inventory	9,768,654	8,550,457
Prepaid expenses and other current assets	2,120,127	1,988,457
Total current assets	27,149,769	23,940,698
Restricted cash	500,000	-
Property, plant, and equipment, net	5,806,724	6,708,237
Leased property under capital lease, net	2,582,434	2,969,799
Note receivable	525,298	570,697
Intangible assets, net	3,467,536	5,270,571
Total assets	\$ 40,031,761	\$ 39,460,002
Liabilities, Redeemable Preferred Stock, and Stockholders' Equity		
Current liabilities:		
Borrowings under line of credit	\$ -	\$ 3,380,835
Accounts payable	4,129,126	3,558,157
Accrued expenses	1,855,898	3,828,045
Product warranty reserve	1,413,225	2,671,409
Deferred revenue	3,387,383	2,950,375
Obligations under capital lease	700,367	650,379
Other current liabilities	1,079,673	-
Total current liabilities	12,565,672	17,039,200
Obligations under capital lease	773,045	1,304,749
Deferred revenue	5,827,323	4,362,092

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Common stock warrant liability	12,895,564	475,825
Finance obligation	2,507,800	-
Other liabilities	794,662	1,247,833
Total liabilities	35,364,066	24,429,699
Redeemable Preferred Stock		
Series C redeemable convertible preferred stock, \$0.01 par value per share (aggregate involuntary liquidation preference \$8,119,916) 10,431 shares authorized; Issued and outstanding: 10,431 at September 30, 2013 and 0 at December 31, 2012	2,451,079	-
Stockholders' equity:		
Common stock, \$0.01 par value per share; 245,000,000 shares authorized; Issued (including shares in treasury): 102,603,967 at September 30, 2013 and 38,404,764 at December 31, 2012	1,026,040	384,048
Additional paid-in capital	822,303,366	801,840,491
Accumulated other comprehensive income	947,584	1,004,412
Accumulated deficit	(820,507,992)	(786,646,266)
Less common stock in treasury:		
165,906 shares at September 30, 2013 and December 31, 2012	(1,552,382)	(1,552,382)
Total stockholders' equity	2,216,616	15,030,303
Total liabilities, redeemable preferred stock, and stockholders' equity	\$ 40,031,761	\$ 39,460,002

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

Plug Power Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Product and service revenue	\$ 4,165,008	\$ 4,273,385	\$ 17,339,463	\$ 18,711,555
Research and development contract revenue	461,808	502,269	1,229,734	1,475,338
Total revenue	4,626,816	4,775,654	18,569,197	20,186,893
Cost of product and service revenue	7,812,018	10,848,860	24,783,518	28,552,076
Cost of research and development contract revenue	730,486	791,322	1,883,361	2,389,844
Research and development expense	768,965	1,284,975	2,343,030	4,089,509
Selling, general and administrative expenses	2,753,030	3,053,434	8,849,730	10,556,495
Amortization of intangible assets	562,896	578,090	1,704,917	1,726,854
Operating loss	(8,000,579)	(11,781,027)	(20,995,359)	(27,127,885)
Interest and other income	26,028	80,046	83,109	171,260
Change in fair value of common stock warrant liability	(8,206,429)	1,434,866	(16,171,061)	3,726,667
Interest and other expense	(124,651)	(59,349)	(354,180)	(158,162)
Gain on sale of equity interest in joint venture	-	-	3,234,717	-
Loss before income taxes	(16,305,631)	(10,325,464)	(34,202,774)	(23,388,120)
Income tax benefit	410,259	-	410,259	-
Net loss attributable to the Company	\$ (15,895,372)	\$ (10,325,464)	\$ (33,792,515)	\$ (23,388,120)
Preferred stock dividends declared	(51,908)	-	(69,211)	-
Net loss attributable to common shareholders	\$ (15,947,280)	\$ (10,325,464)	\$ (33,861,726)	\$ (23,388,120)
Loss per share:				
Basic and diluted	\$ (0.19)	\$ (0.27)	\$ (0.51)	\$ (0.71)
Weighted average number of common shares outstanding	84,150,851	37,977,052	67,194,806	33,107,175

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

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Plug Power Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net loss attributable to the Company	\$ (15,895,372)	\$ (10,325,464)	\$ (33,792,515)	\$ (23,388,120)
Other comprehensive loss:				
Foreign currency translation gain (loss)	25,268	110,625	(56,828)	106,585
Comprehensive Loss	\$ (15,870,104)	\$ (10,214,839)	\$ (33,849,343)	\$ (23,281,535)

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

Plug Power Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine months ended September 30,	
	2013	2012
Cash Flows From Operating Activities:		
Net loss attributable to the Company	\$ (33,792,515)	\$ (23,388,120)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment, and investment in leased property	1,432,698	1,459,159
Amortization of intangible assets	1,704,917	1,726,854
Stock-based compensation	1,576,577	1,500,352
Gain on sale of equity interest in joint venture	(3,234,717)	-
(Gain) loss on disposal of property, plant and equipment	(55,768)	57,680
Change in fair value of common stock warrant liability	16,171,061	(3,726,667)
Changes in operating assets and liabilities that provide (use) cash:		
Accounts receivable	(279,308)	5,728,228
Inventory	(1,218,197)	(2,650,413)
Prepaid expenses and other current assets	(131,670)	341,585
Note receivable	45,399	(585,611)
Accounts payable, accrued expenses, product warranty reserve and other liabilities	(2,065,461)	1,787,625
Deferred revenue	1,902,239	2,201,139
Net cash used in operating activities	(17,944,745)	(15,548,189)
Cash Flows From Investing Activities:		
Proceeds from sale of equity interest in joint venture	3,234,717	(292,389)
Purchase of property, plant and equipment	(144,752)	-
Proceeds from disposal of property, plant and equipment	56,700	57,900
Net cash provided by (used in) investing activities	3,146,665	(234,489)
Cash Flows From Financing Activities:		
Change in restricted cash	(500,000)	-
Proceeds from exercise of warrants	2,849,460	-
Proceeds from issuance of preferred stock	2,595,400	-
Preferred stock issuance costs	(144,321)	-
Proceeds from issuance of common stock and warrants	14,807,717	17,192,500
Common stock issuance costs	(1,934,265)	(1,402,230)

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Repayment of borrowings under line of credit	(3,380,835)	(4,405,110)
Proceeds from finance obligation	2,600,000	-
Principal payments on obligations under capital lease and finance obligation	(516,177)	-
Net cash provided by financing activities	16,376,979	11,385,160
Effect of exchange rate changes on cash	997	2,029
Increase (decrease) in cash and cash equivalents	1,579,896	(4,395,489)
Cash and cash equivalents, beginning of period	9,380,059	13,856,893
Cash and cash equivalents, end of period	\$ 10,959,955	\$ 9,461,404

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

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1. Nature of Operations

Description of Business

Plug Power Inc., or the Company, is a leading provider of alternative energy technology and is involved in the design, development, commercialization and manufacture of fuel cell systems for the industrial off-road (forklift or material handling) market.

We are focused on proton exchange membrane, or PEM, fuel cell and fuel processing technologies and fuel cell/battery hybrid technologies, from which multiple products are available. A fuel cell is an electrochemical device that combines hydrogen and oxygen to produce electricity and heat without combustion. Hydrogen is derived from hydrocarbon fuels such as liquid petroleum gas, or LPG, natural gas, propane, methanol, ethanol, gasoline or biofuels. Hydrogen can also be obtained from the electrolysis of water. Hydrogen can be purchased directly from industrial gas providers or can be produced on-site at consumer locations.

We concentrate our efforts on developing, manufacturing and selling our hydrogen-fueled PEM GenDrive® products on commercial terms for industrial off-road (forklift or material handling) applications, with a focus on multi-shift high volume manufacturing and high throughput distribution sites.

We have previously invested in development and sales activities for low-temperature remote-prime power GenSys® products and our GenCore® product, which is a hydrogen fueled PEM fuel cell system to provide back-up power for critical infrastructure. While Plug Power will continue to service and support GenSys and/or GenCore products on a limited basis, our main focus is our GenDrive product line.

We sell our products worldwide, with a primary focus on North America, through our direct product sales force, original equipment manufacturers, or OEMs, and their dealer networks. We sell to business, industrial and government consumers.

We were organized in the State of Delaware on June 27, 1997 and became a public company listed on the NASDAQ exchange on October 29, 1999. We were originally a joint venture between Edison Development Corporation and Mechanical Technology Incorporated. In 2007, we acquired all the issued and outstanding equity of Cellex Power

Products, Inc., or Cellex, and General Hydrogen Corporation, or General Hydrogen.

Through these acquisitions, and our continued GenDrive product development efforts, Plug Power became the first fuel cell company to offer a complete suite of products: Class 1 - sit-down counterbalance trucks, Class 2 - stand-up reach trucks and Class 3 - rider pallet trucks.

Unless the context indicates otherwise, the terms Company, Plug Power, we, our or us as used herein refers to Plug Power Inc. and its subsidiaries.

Liquidity

Our cash requirements relate primarily to working capital needed to operate and grow our business, including funding operating expenses, growth in inventory to support both shipments of new units and servicing the installed base, and continued development and expansion of our products. Our ability to meet our future liquidity needs, capital requirements, and to achieve profitability will depend upon numerous factors, including the timing and quantity of product orders and shipments; the timing and amount of our operating expenses; the timing and costs of working capital needs; the timing and costs of building a sales base; the timing and costs of developing marketing and distribution channels; the timing and costs of product service requirements; the timing and costs of hiring and training product staff; the extent to which our products gain market acceptance; the timing and costs of product development and introductions; the extent of our ongoing and any new research and development programs; and changes in our strategy or our planned activities. If we are unable to fund our operations without additional external financing and therefore cannot sustain future operations, we may be required to delay, reduce and/or cease our operations and/or seek bankruptcy protection.

We have experienced and continue to experience negative cash flows from operations and we expect to continue to incur net losses in the foreseeable future. We incurred a net loss of \$33.8 million for the nine months ended September 30, 2013, and net losses of \$31.9 million, \$27.5 million and \$47.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. We have an accumulated deficit of \$820.5 million at September 30, 2013. Substantially all of our accumulated deficit has resulted from costs incurred in connection with our operating expenses, research and development expenses and from general and administrative costs associated with our operations. We expect that for fiscal year 2013, our operating cash burn will be approximately \$20 million, as revised.

Net cash used in operating activities for the nine months ended September 30, 2013 was \$17.9 million. Additionally, on September 30, 2013, we had cash and cash equivalents of \$11.0 million and net working capital of \$14.6 million. This compares to \$9.4 million and \$6.9 million, respectively, at December 31, 2012.

We were party to a Loan and Security Agreement with Silicon Valley Bank, or SVB, which expired as of March 29, 2013. The SVB loan facility provided up to \$15 million of availability, subject to borrowing base limitations, to support working capital needs. Given its expiration, we no longer have access to this facility. As of December 31, 2012, \$3.4 million was outstanding under the loan agreement. This amount was subsequently paid in full in January, 2013. The Company maintains all of its operating bank accounts with SVB and we are seeking to reestablish our credit facility with SVB during the first quarter of 2014.

To date, we have funded our operations primarily through public and private offerings of common and preferred stock, our line of credit and maturities and sales of our available-for-sale securities. The Company's current sources of capital, and other funds, include the raising of \$2.3 million (net of issuance costs) in a public equity offering completed in February, 2013, \$2.8 million from the exercise of warrants in 2013, \$2.6 million from a sale-leaseback transaction of its real estate in Latham, NY completed on March 27, 2013, a \$6.5 million strategic investment from Air Liquide (Air Liquide Investment) completed on May 8, 2013, and \$10.6 million (net of issuance costs) in a public equity offering completed on September 16, 2013. The Air Liquide Investment includes the purchase of preferred stock, an increase in Air Liquide's ownership interest in the HyPulsion joint venture, and an engineering services contract. We believe that our current cash, cash raised from the aforementioned recent financing and investing activities, cash generated from future sales, and access to a potential new credit facility should provide sufficient liquidity to fund our operations into the second quarter of 2014. This projection is based on our current expectations regarding product sales, cost structure, cash burn rate and operating assumptions.

In addition to the aforementioned funds, and other funds that will provide additional short term liquidity, we are currently exploring various other alternatives including strategic partnerships and government programs that may be available to us, as well as trying to generate additional revenue and increase margins. However, at this time we have

no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If we are unable to obtain additional funding and improve our operations, our financial condition and results of operations may be materially adversely affected and we may not be able to continue operations.

Additionally, even if we raise additional capital through additional equity or debt financing, strategic alternatives or otherwise, there can be no assurances that any such capital infusion will be sufficient to enable us to develop our business to a level where it will be profitable or generate positive cash flow. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we incur additional debt, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. The terms of any debt securities issued could also impose significant restrictions on our operations. Broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds. In addition, if our common stock is delisted from the NASDAQ Capital Market, as noted in Part II, Item 1A, Risk Factors of our most recently filed Annual Report on Form 10-K with the Securities and Exchange Commission, filed on April 1, 2013, it may limit our ability to raise additional funds. If we raise additional funds through collaborations and/or licensing arrangements, we might be required to relinquish significant rights to our technologies, or grant licenses on terms that are not favorable to us.

The condensed consolidated financial statements for the three and nine month periods ended September 30, 2013 and the year ended December 31, 2012 were prepared on the basis of a going concern which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be required to liquidate its assets. The ability of the Company to meet its total liabilities of \$35.4 million at September 30, 2013, and to continue as a going concern is dependent upon the availability of future funding, continued growth in orders and shipments, and the Company's ability to profitably meet its after-sale service commitments with its existing customers. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2. Basis of Presentation

Principles of Consolidation: The accompanying unaudited condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. It is the Company's policy to reclassify prior period consolidated financial statements to conform to current period presentation.

Interim Financial Statements: The accompanying unaudited condensed interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly, in accordance with U.S. generally accepted accounting principles (GAAP), the financial position, results of operations and cash flows for all periods presented, have been made. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2012.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2012 has been derived from the Company's December 31, 2012 audited consolidated financial statements. All other information

has been derived from the Company's unaudited condensed consolidated financial statements as of September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012.

Use of Management Estimates: The unaudited condensed interim consolidated financial statements have been prepared in conformity with GAAP, which require 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Accounting Policies:

Warrant accounting

We account for common stock warrants in accordance with applicable accounting guidance provided in Accounting Standards Codification (ASC) 815, Derivatives and Hedging - Contracts in Entity's Own Equity, as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. In compliance with applicable securities law, registered common stock warrants that require the issuance of registered shares upon exercise and do not sufficiently preclude an implied right to cash settlement are accounted for as derivative liabilities. We classify these derivative warrant liabilities on the condensed consolidated balance sheets as a long term liability, which is revalued at each balance sheet date subsequent to the initial issuance. We use the Black-Scholes pricing model to value the derivative warrant liability. The Black-Scholes pricing model, which is based, in part, upon unobservable inputs for which there is little or no market data, requires the Company to develop its own assumptions.

The Company used the following assumptions for its common stock warrants issued on May 31, 2011. The risk-free interest rate for May 31, 2011 (issuance date), December 31, 2012, and September 30, 2013 were 0.75%, 0.31% and 0.59%, respectively. The volatility of the market price of the Company's common stock for May 31, 2011, December 31, 2012 and September 30, 2013 were 94.4%, 73.5%, and 111.2%, respectively. The expected average term of the warrant used for all periods was 2.5 years.

The Company used the following assumptions for its common stock warrants issued on February 20, 2013. The risk-free interest rate for February 20, 2013 (issuance date) and September 30, 2013 were 0.85% and 1.60%, respectively. The volatility of the market price of the Company's common stock for February 20, 2013 and September 30, 2013 were 102.0% and 98.4%, respectively. The expected average term of the warrant used for February 20, 2013 and September 30, 2013 were 5.0 years and 4.4 years, respectively.

There was no expected dividend yield for the warrants granted. If factors change and different assumptions are used, the warrant liability and the change in estimated fair value could be materially different. Generally, as the market price of our common stock increases, the fair value of the warrant increases, and conversely, as the market price of our common stock decreases, the fair value of the warrant decreases. Also, a significant increase in the volatility of the market price of the Company's common stock, in isolation, would result in a significantly higher fair value measurement; and a significant decrease in volatility would result in a significantly lower fair value measurement. Changes in the fair value of the warrants are reflected in the condensed consolidated statement of operations as change in fair value of common stock warrant liability.

Joint Venture

We account for investments in joint ventures in which we have significant influence in accordance with applicable accounting guidance in Subtopic 323-10, *Investments Equity Method and Joint Ventures Overall*. On February 29, 2012 we completed the formation of our joint venture with Axane, S.A., a subsidiary of Air Liquide, under the name HyPulsion (the JV). The principal purpose of the JV is to develop and sell hydrogen fuel cell systems for the European material handling market. Axane contributed cash at the closing and will make additional fixed cash contributions in 2013 and 2014 in exchange for an initial 55% ownership of the JV, subject to certain conditions. We have not contributed any cash to the JV and we are not obligated to contribute any cash. We contributed to the JV the right to use our technology, including design and technology know-how on GenDrive systems, in exchange for an initial 45% ownership of the JV.

On April 19, 2013 Axane purchased an additional 25% ownership interest in HyPulsion from the Company for a cash purchase price of \$3.3 million (Euro 2.5 million). We now own 20% and Axane owns 80% of HyPulsion, and we will share in 20% of the profits from the JV. The Company has the right to purchase an additional 60% of HyPulsion from Axane at any time between January 4, 2018 and January 29, 2018 at a formula price. If the Company exercises its purchase right, Axane will have the right, at any time between February 1, 2018 and December 31, 2021, to require the Company to buy the remaining 20% interest at a formula price.

In addition, the Company and HyPulsion also entered into an engineering service agreement under which, among other things, the Company will provide HyPulsion with engineering and technical services for a new fuel cell assembly line and manufacturing execution system. Under the service agreement, HyPulsion has paid the Company approximately \$659,000 (Euro 500,000) in the aggregate for services to be performed by the Company.

In accordance with the equity method of accounting, the Company will increase its investment in the JV by its share of any earnings, and decrease its investment in the JV by its share of any losses. Losses in excess of the investment must be restored from future profits before we can recognize our proportionate share of profits. As of September 30, 2013, the Company had a zero basis for its investment in the JV.

Redeemable Preferred Stock

On May 8, 2013, the Company entered into a Securities Purchase Agreement with Air Liquide, pursuant to which the Company agreed to issue and sell 10,431 shares of the Company's Series C Redeemable Convertible Preferred Stock, par value \$0.01 per share, for an aggregate purchase price of approximately \$2.6 million (Euro 2 million) in cash, as more fully discussed in Note 6, Redeemable Preferred Stock. We account for preferred stock as temporary equity in accordance with applicable accounting guidance in Accounting Standards Codification (ASC) 480, *Distinguishing Liabilities from Equity*. Dividends on the redeemable preferred stock are accounted for as a reduction (increase) in the net income (loss) attributable to common shareholders.

In connection with the Air Liquide Investment, as outlined under Joint Venture and Redeemable Preferred Stock above, the Company considered the relative fair value of the components involved in its allocation of the overall investment and the associated accounting.

Recent Accounting Pronouncements:

There are no recently issued accounting standards with pending adoptions that the Company's management currently anticipates will have any material impact upon its financial statements.

3. Multiple-Deliverable Revenue Arrangements

The Company enters into multiple-deliverable revenue arrangements that may contain a combination of fuel cell systems or equipment, installation, service, maintenance, fueling and other support services. The delivered item, equipment, does have value to the customer on a standalone basis and could be separately sold by another vendor. In addition, the Company does not include a right of return on its products.

Under the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-13, in an arrangement with multiple-deliverables, the delivered items will be considered a separate unit of accounting if the following criteria are met:

- The delivered item or items have value to the customer on a standalone basis.

- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item or items is considered probable and substantially in the control of the vendor.

Deliverables not meeting the criteria for being a separate unit of accounting are combined with a deliverable that does meet that criterion. The appropriate allocation of arrangement consideration and recognition of revenue is then determined for the combined unit of accounting.

The Company allocates arrangement consideration to each deliverable in an arrangement based on its relative selling price. The Company determines selling price using vendor-specific objective evidence (VSOE), if it exists, otherwise third-party evidence (TPE). If neither VSOE nor TPE of selling price exists for a unit of accounting, the Company uses estimated selling price (ESP).

VSOE is generally limited to the price that a vendor charges when it sells the same or similar products or services on a standalone basis. TPE is determined based on the prices charged by competitors of the Company for a similar deliverable when sold separately. The Company generally expects that it will not be able to establish VSOE or TPE for certain deliverables due to the lack of standalone sales and the nature of the markets in which the Company competes, and, as such, the Company typically will determine selling price using ESP.

The objective of ESP is to determine the price at which the Company would transact if the product or service were sold by the Company on a standalone basis. The Company's determination of ESP may involve a weighting of several factors based on the specific facts and circumstances of the arrangement. Specifically, the Company may consider the cost to produce the deliverable, the anticipated margin on that deliverable, the selling price and profit margin for similar parts, the Company's ongoing pricing strategy and policies, the value of any enhancements that have been built into the deliverable and the characteristics of the varying markets in which the deliverable is sold, as applicable. The Company will determine ESP for deliverables in future agreements based on the specific facts and circumstances of the arrangement.

As noted above, in determining selling price, TPE is generally not readily available due to a lack of a competitive environment in selling fuel cell technology. However, when determining selling price for certain deliverables such as service and maintenance, if available, the Company utilizes prices charged by its competitors as TPE when estimating its costs for labor hours.

Each deliverable within the Company's multiple-deliverable revenue arrangements is accounted for as a separate unit of accounting under the guidance of ASU No. 2009-13. Once a standalone selling price for all the deliverables that meet the separation criteria has been met, whether by VSOE, TPE or ESP, the relative selling price method is used to proportionately allocate each element of the arrangement to the sale consideration. The Company plans to analyze the selling prices used in its allocation of arrangement consideration at a minimum on an annual basis. Selling prices will be analyzed on a more frequent basis if a significant change in the Company's business necessitates a more timely analysis or if the Company experiences significant variances in its selling prices.

For all product and service revenue transactions entered into prior to the implementation of ASU No. 2009-13, the Company will continue to defer the recognition of product and service revenue and recognize revenue on a straight-line basis as the continued service, maintenance and other support obligations expire, which are generally for periods of twelve to thirty months, or which extend over multiple years. While contract terms for those transactions generally required payment shortly after shipment or delivery and installation of the fuel cell system and were not contingent on the achievement of specific milestones or other substantive performance, the multiple-element revenue obligations within our contractual arrangements were generally not accounted for separately based on our limited experience and lack of evidence of fair value of the undelivered components. We recognized revenue related to these transactions of approximately \$36,000 and \$107,000 during the three and nine months ended September 30, 2013. At

September 30, 2013, and December 31, 2012, there was approximately \$453,000 and \$560,000, respectively, included in deferred revenue in the condensed consolidated balance sheets related to these transactions.

4. Loan and Security Agreement

At December 31, 2012, we were a party to a loan and security agreement, as amended, with Silicon Valley Bank, or SVB, providing us with access to up to \$15.0 million of financing in the form of revolving loans, letters of credit, foreign exchange contracts and cash management services. The Loan Agreement expired on March 29, 2013. As of December 31, 2012, \$3.4 million was outstanding under the loan agreement. This amount was subsequently paid in full in January, 2013.

5. Stockholders Equity

Changes in stockholders equity for the nine months ended September 30, 2013 are as follows:

	Common Stock		Additional	Accumulated Other Comprehensive	Treasury Stock		Accumulated	Total
	Shares	Amount	in-Capital	Income (Loss)	Shares	Amount	Deficit	Stockholders Equity
December 31, 2012	38,404,754	\$ 784,048	\$ 801,840,491	\$ 1,004,412	165,906	\$ (1,552,382)	\$ (786,646,266)	\$ 15,030,300
Net loss	-	-	-	-	-	-	(33,792,515)	(33,792,515)
Other comprehensive loss	-	-	-	(56,828)	-	-	-	(56,828)
Stock based compensation	1,968,980	1,968,980	1,541,732	-	-	-	-	1,561,422
Public Offering, common stock, net (1)	43,104,300	18,300,180	9,991,406	-	-	-	-	10,422,424
Exercise of warrants (2)	18,996,400	6,809,640	8,861,846	-	-	-	-	9,051,810
Stock dividend	132,013	20,320	67,891	-	-	-	(69,211)	-
September 30, 2013	102,603,967	\$ 26,040	\$ 822,303,366	\$ 947,584	165,906	\$ (1,552,382)	\$ (820,507,992)	\$ 2,216,616

- (1) As a result of the 2013 public offering discussed further below, the Company received net proceeds of \$12,873,452, of which \$2,451,028 in value was ascribed to the warrants issued in the February 2013 public offering. The associated warrants have been separately valued and classified as a liability on the accompanying consolidated balance sheet. After consideration of the fair value ascribed to the warrants and the net proceeds of the overall offering, it was determined that the fair value of the warrants and the common stock exceeded the net proceeds received as part of the offering and consequently additional paid-in capital was reduced by \$354,586.
- (2) Pursuant to the exercise of warrants, additional paid-in capital was increased by \$2,659,496 from the issuance of 18,996,400 shares of common stock. Additionally, paid-in capital was increased by \$6,202,350 and warrant liability was reduced by \$6,202,350 (the fair value of the warrants on the exercise date).

2013 Public Offerings

On September 16, 2013, the Company completed an underwritten public offering of 18,600,000 shares of common stock. The shares were sold at \$0.54 per share. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power were \$9,151,221.

The Company also sold an additional 2,790,000 shares of common stock at \$0.54 per share, pursuant to the underwriter's exercise of its over-allotment option in connection with the September 16, 2013 underwritten public offering, resulting in additional net proceeds to Plug Power of \$1,408,671. The total net proceeds from the September 2013 public offering to Plug Power were \$10,559,892.

On February 20, 2013, the Company completed an underwritten public offering of 18,910,000 shares of common stock and warrants to purchase an aggregate of 18,910,000 shares of common stock. The shares and warrants in the underwritten public offering were sold as a fixed combination, with each combination consisting of one share of common stock and one warrant to purchase one share of common stock at a price to the public of \$0.15 per fixed combination. The underwriter also purchased 2,836,500 warrants pursuant to the exercise of its over-allotment option. These warrants have an exercise price of \$0.15 per share, are immediately exercisable and will expire on February 20, 2018. The warrants are subject to weighted average anti-dilution provisions in the event of issuance of additional shares of common stock and certain other conditions, as further described in the warrant agreement. Additionally, in the event of a sale of the Company, and under certain conditions, each warrant holder has the right to require the Company to purchase such holder's warrants at a price determined using a Black-Scholes option pricing model. The underwriter was also granted an additional 1,891,000 warrants at \$0.18 per share. These warrants are exercisable on February 13, 2014 and will expire on February 13, 2018. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power, were \$1,948,766. The Company intends to use the net proceeds of the offering for working capital and other general corporate purposes, including capital expenditures.

On February 21, 2013, the Company sold 2,801,800 additional shares of common stock, pursuant to the underwriter's exercise of its overallotment option in connection with the public offering, resulting in additional net proceeds to the Company of approximately \$364,794. The total net proceeds from the February 2013 public offerings to Plug Power were \$2,313,560.

2012 Public Offerings

On March 28, 2012, the Company completed an underwritten public offering of 13,000,000 shares of its common stock. The shares were sold at \$1.15 per share. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power were \$13,704,745.

On March 29, 2012, the Company sold 1,950,000 additional shares of common stock at \$1.15 per share, pursuant to the underwriter's exercise of its over-allotment option in connection with the March 28, 2012 underwritten public offering, resulting in additional net proceeds to Plug Power of \$2,085,525.

2011 Public Offerings

On May 31, 2011, the Company completed an underwritten public offering of 8,265,000 shares of its common stock and warrants to purchase an aggregate of 7,128,563 shares of common stock (including warrants to purchase an aggregate of 929,813 shares of common stock purchased by the underwriter pursuant to the exercise of its over-allotment option). Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power, were \$18,289,883 (of this amount \$8,768,143 in fair value was recorded as common stock warranty liability at issuance date). The shares and the warrants were sold together as a fixed combination, with each combination consisting of one share of common stock and 0.75 of a warrant to purchase one share of common stock, at a price to the public of \$2.42 per fixed combination. The warrants are exercisable upon issuance and will expire on May 31, 2016. The exercise price of the warrants upon issuance was \$3.00 per share of common stock and is subject to weighted average anti-dilution provisions in the event of issuance of additional shares of common stock and certain other conditions, as further described in the warrant agreement. Additionally, in the event of a sale of the Company, and under certain conditions, each warrant holder has the right to require the Company to purchase such holder's warrants at a price determined using a Black-Scholes option pricing model. As a result of the March 28 and 29, 2012 public offerings and pursuant to the effect of the anti-dilution provisions, the exercise price of the warrants was

reduced to \$2.27 per share of common stock. Simultaneously with the adjustment to the exercise price, the number of common stock shares that may be purchased upon exercise of the warrants was increased to 9,421,008 shares.