

PLUG POWER INC
Form 10-Q
August 14, 2012

Table of Contents

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 JUNE 30, 2012

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

	1	
--	----------	--

Table of Contents

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 August 6, 2012 was 37,981,961.

	2	
--	---	--

Table of Contents

INDEX to FORM 10-Q

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
<u>Item 1 Interim Financial Statements (Unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Operations</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4 Controls and Procedures</u>	29
PART II. OTHER INFORMATION	
<u>Item 1 Legal Proceedings</u>	30
<u>Item 1A Risk Factors</u>	30
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
<u>Item 3 Defaults Upon Senior Securities</u>	30
<u>Item 4 Mine Safety Disclosures</u>	30
<u>Item 5 Other Information</u>	30

Item 6 Exhibits

31

Signatures

32

	3	
--	---	--

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

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,851,417	\$ 13,856,893
Accounts receivable, less allowance of \$0 at June 30, 2012 and December 31, 2011	11,125,967	13,388,909
Inventory	9,511,319	10,354,707
Prepaid expenses and other current assets	1,181,735	1,894,014
Total current assets	37,670,438	39,494,523
Property, plant and equipment (net of accumulated depreciation of \$26,429,781 at June 30, 2012 and \$25,616,113 at December 31, 2011)		
	7,636,611	8,686,840
Note Receivable	600,419	-
Intangible assets, net	6,316,302	7,474,636
Total assets	\$ 52,223,770	\$ 55,655,999
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,143,823	\$ 4,668,721
Accrued expenses	2,403,646	3,172,998
Product warranty reserve	1,020,010	1,210,909
Borrowings under line of credit	-	5,405,110
Deferred revenue	4,037,961	2,505,175
Other current liabilities	544,685	80,000
Total current liabilities	12,150,125	17,042,913
Common stock warrant liability	3,029,189	5,320,990
Deferred revenue	3,061,563	3,036,829
Other liabilities	1,213,509	1,219,602
Total liabilities	19,454,386	26,620,334
Stockholders' equity:		

Edgar Filing: PLUG POWER INC - Form 10-Q

Common stock, \$0.01 par value per share; 245,000,000 shares authorized;		
Issued (including shares in treasury):		
38,050,862 at June 30, 2012 and 22,924,411 at December 31, 2011	380,509	229,244
Additional paid-in capital	800,863,021	784,213,871
Accumulated other comprehensive income	924,704	928,744
Accumulated deficit	(767,846,468)	(754,783,812)
Less common stock in treasury:		
165,906 shares at June 30, 2012 and December 31, 2011	(1,552,382)	(1,552,382)
Total stockholders' equity	32,769,384	29,035,665
Total liabilities and stockholders' equity	\$ 52,223,770	\$ 55,655,999

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

	4	
--	---	--

Table of Contents

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Product and service revenue	\$ 7,201,404	\$ 2,620,845	\$ 14,438,170	\$ 7,614,250
Research and development contract revenue	457,693	1,562,719	973,069	2,347,943
Licensed technology revenue	-	163,125	-	326,250
Total revenue	7,659,097	4,346,689	15,411,239	10,288,443
Cost of product and service revenue	8,642,527	4,931,170	17,703,216	11,621,623
Cost of research and development contract revenue	832,564	2,473,516	1,598,522	3,810,596
Research and development expense	1,577,077	1,106,248	2,804,534	2,168,974
Selling, general and administrative expenses	3,567,268	3,882,917	7,503,061	7,444,515
Amortization of intangible assets	572,991	588,473	1,148,764	1,169,962
Operating loss	(7,533,330)	(8,635,635)	(15,346,858)	(15,927,227)
Interest and other income and net realized losses				
from available-for-sale securities	43,690	87,224	91,214	121,122
Change in fair value of common stock warrant liability	1,053,051	1,790,520	2,291,801	1,790,520
Interest and other expense and foreign currency gain (loss)	(42,965)	5,223	(98,813)	19,717
Net loss	\$ (6,479,554)	\$ (6,752,668)	\$ (13,062,656)	\$ (13,995,868)
Loss per share:				
Basic and diluted	\$ (0.17)	\$ (0.41)	\$ (0.43)	\$ (0.95)
Weighted average number of common shares				
outstanding	37,853,358	16,320,235	30,645,479	14,781,215

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

	5	
--	---	--

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net Loss	\$ (6,479,554)	\$ (6,752,668)	\$ (13,062,656)	\$ (13,995,868)
Other comprehensive (loss) income:				
Foreign currency translation gain (loss)	(80,543)	(18,160)	(4,040)	86,032
Unrealized gain on available-for-sale securities	-	-	-	18,502
Comprehensive Loss	\$ (6,560,097)	\$ (6,770,828)	\$ (13,066,696)	\$ (13,891,334)

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

	6	
--	---	--

Table of Contents**Plug Power Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows
(Unaudited)**

	Six months ended	
	June 30,	
	2012	2011
Cash Flows From Operating Activities:		
Net loss	\$ (13,062,656)	\$ (13,995,868)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	975,480	1,053,465
Amortization of intangible assets	1,148,764	1,169,962
Stock-based compensation	1,022,618	1,002,824
Loss on disposal of property, plant and equipment	57,680	308,891
Realized loss on available for sale securities	-	22,421
Change in fair value of common stock warrant liability	(2,291,801)	(1,790,520)
Changes in operating assets and liabilities:		
Accounts receivable	2,263,242	66,054
Inventory	843,388	4,164,884
Prepaid expenses and other current assets	712,279	227,216
Issuance of note receivable	(600,419)	-
Accounts payable, accrued expenses, product warranty reserve and other liabilities	(1,032,845)	(4,799,707)
Deferred revenue	1,557,520	(601,496)
Net cash used in operating activities	(8,406,750)	(13,171,874)
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	(40,831)	(1,065,335)
Proceeds from disposal of property, plant and equipment	57,900	45,000
Proceeds from maturities and sales of available-for-sale securities	-	10,399,396
Net cash provided by investing activities	17,069	9,379,061
Cash Flows From Financing Activities:		
Purchase of treasury stock	-	(158,492)
Proceeds from issuance of common stock	17,192,500	22,027,166
Stock issuance costs	(1,402,230)	(1,862,293)
Repayment of borrowings under line of credit	(5,405,110)	-
Principal payments on long-term debt	-	(9,956)
Net cash provided by financing activities	10,385,160	19,996,425
Effect of exchange rate changes on cash	(955)	(7,757)

Edgar Filing: PLUG POWER INC - Form 10-Q

Increase in cash and cash equivalents	1,994,524	16,195,855
Cash and cash equivalents, beginning of period	13,856,893	10,955,403
Cash and cash equivalents, end of period	\$ 15,851,417	\$ 27,151,258

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

	7	
--	---	--

Table of Contents

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 (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 (OEMs) and their dealer networks. We sell to business, industrial and government customers.

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. (Cellex) and General Hydrogen Corporation (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

As of June 30, 2012, we had approximately \$25.5 million of working capital, which includes \$15.9 million of cash and cash equivalents to fund our future operations. Additionally, as of March 30, 2012, we executed a Second Loan Modification Agreement with Silicon Valley Bank which increased our credit facility, providing us access of up to \$15 million in financing, subject to borrowing base limitations, to support working capital needs (See Note 4, Loan and Security Agreement, of the condensed consolidated financial statements). We believe that our current cash, cash equivalents and cash generated from future sales, in conjunction with the availability of the credit facility, will provide sufficient liquidity to fund operations into 2013. This projection is based on our current expectations regarding product sales, cost structure, cash burn rate and operating assumptions.

In the event that our operating expenses are higher than anticipated or the gross margins and shipments of our GenDrive products do not increase as we expect, we may be required to implement contingency plans within our control to conserve and/or enhance our liquidity to meet operating needs. Such plans include: our ability to further reduce discretionary expenses, monetize our real estate assets through a sale-leaseback arrangement and obtain additional funding from licensing the use of our technologies. 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 achieve profitability and meet future liquidity needs and capital requirements 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. As a result, we can provide no assurance that we will be able to fund our operations beyond 2013 without additional external financing.

Table of Contents

If additional funding is required beyond 2013, alternatives the Company would consider include equity or debt financings, strategic alliances or joint ventures. Under such conditions, if we are unable to obtain additional capital in 2013, we may not be able to sustain our future operations and may be required to delay, reduce and/or cease our operations and/or seek bankruptcy protection. We cannot assure you that any necessary additional financing will be available on terms favorable to us, or at all. Given the difficult current economic environment, we believe that it could be difficult to raise additional funds and there can be no assurance as to the availability of additional financing or the terms upon which additional financing may be available. Additionally, even if we raise sufficient capital through equity or debt financing, strategic alliances or otherwise, there can be no assurances that the revenue or 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. 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.

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.

Edgar Filing: PLUG POWER INC - Form 10-Q

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, 2011.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2011 has been derived from the Company's December 31, 2011 audited consolidated financial statements. All other information has been derived from the Company's unaudited condensed consolidated financial statements as of June 30, 2012 and for the three and six months ended June 30, 2012 and 2011.

	9	
--	----------	--

Table of Contents

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.

Subsequent Events: The Company has evaluated subsequent events and transactions through the date of this filing for potential recognition or disclosure in the financial statements and has noted no subsequent events requiring recognition or disclosure.

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. The risk-free interest rate for May 31, 2011 (issuance date), December 31, 2011, and June 30, 2012 were .75%, .33% and .34%, respectively. The volatility of the market price of the Company’s common stock for May 31, 2011, December 31, 2011 and June 30, 2012 were 94.4%, 78.6%, and 77.3%, respectively. The expected average term of the warrant used for all periods was 2.5 years. There was no expected dividend yield for the warrants granted. As a result, if factors change and different assumptions are used, the warrant liability and the change in estimated fair value could be materially different. 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 55% ownership of the JV, subject to certain conditions. We contributed to the JV the right to use our technology, including design and technology know-how on GenDrive systems, in exchange for 45% ownership of the JV. Accordingly, we will share in 45% of the profits from the JV. We have not contributed any cash to the JV and we are not obligated to contribute any cash. We have an option in the future to contribute cash and become a majority owner of the JV.

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 June 30, 2012, the Company had a zero basis for its investment in the JV.

Table of Contents

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.

	11	
--	-----------	--

Table of Contents

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 \$51,000 and \$101,000 during the three and six months ended June 30, 2012, respectively. At June 30, 2012, and December 31, 2011, there was approximately \$809,000 and \$910,000, respectively, included in deferred revenue in the condensed consolidated balance sheets related to these transactions.

4. Loan and Security Agreement

The Company is party to a loan and security agreement, as amended, (the Loan Agreement) with Silicon Valley Bank (SVB) providing the Company with access to up to \$15,000,000 of financing in the form of (i) revolving loans, (ii) letters of credit, (iii) foreign exchange contracts and (iv) cash management services such as merchant services, direct deposit of payroll, business credit card and check cashing services.

Advances under the Loan Agreement cannot exceed a borrowing base limit calculated using (A) an advanced rate of 80% on the Company's eligible accounts receivable and (B) an advanced rate of 25% on the Company's eligible inventory (subject to a limit of the lesser of (a) \$3 million and (b) 30% of all outstanding advances), subject to certain reserves established by SVB and other adjustments.

Interest on advances of credit under the Loan Agreement for: (i) financed accounts receivables are equal to (a) SVB's prime rate, which is currently 3.25% per annum, plus 3.0% per annum or (b) if the Company maintains at all times during any month an adjusted quick ratio of 2.0 to 1.0, then SVB's prime rate plus 1.50% per annum; and (ii) financed inventory is equal to (a) SVB's prime rate plus 5.25% per annum or (b) if the Company maintains at all times during any month an adjusted quick ratio of 2.0 to 1.0, then SVB's prime rate plus 3.25% per annum. The minimum monthly interest charge is \$6,000 per month. The Loan Agreement will be used by the Company to support its current working capital needs.

The Loan Agreement is secured by substantially all of the Company's properties, rights and assets, including substantially all of its equipment, inventory, receivables, intellectual property and general intangibles.

The Loan Agreement includes customary representations and warranties for credit facilities of this type. In addition, the Loan Agreement contains a number of covenants that will impose significant operating and financial restrictions on the Company's operations, including restrictions pertaining to, among other things: (i) the condition of inventory; (ii) maintenance of an adjusted quick ratio of at least 1.50 to 1.0; (iii) intellectual property right protection and registration; (iv) dispositions of assets; (v) changes in business, management, ownership or business locations; (vi) mergers, consolidations or acquisitions; (vii) incurrence or assumption of indebtedness; (viii) incurrence of liens on any of the Company's property; (ix) paying dividends or making distributions on, or redemptions, retirements or

repurchases of, capital stock; (x) transactions with affiliates; and (xi) payments on or amendments to subordinated debt. As of June 30, 2012 the Company is in compliance with these covenants.

The Loan Agreement also contains events of default customary for credit facilities of this type with, in some cases, corresponding grace periods, including, (i) failure to pay any principal or interest when due, (ii) failure to comply with covenants, (iii) any material adverse change occurring, (iv) an attachment, levy or restraint on our business, (v) certain bankruptcy or insolvency events, (vi) payment defaults relating to, or acceleration of, other indebtedness or that could result in a material adverse change to the Company's business, (vii) the Company or its subsidiaries becoming subject to judgments, claims or liabilities in an amount individually or in aggregate in excess of \$150,000 (viii) any misrepresentations, or (ix) any revocation, invalidation, breach or invalidation of any subordinated debt.

	12	
--	-----------	--

Table of Contents

The Loan Agreement will expire on March 29, 2013. The Loan Agreement may be terminated prior to March 29, 2013; however, the Company would be required to pay a \$150,000 early termination fee in connection with a termination (i) by the Company for any reason or (ii) by SVB upon notice and after the occurrence and during the continuance of an event of default. At June 30, 2012 there were no borrowings outstanding.

5. Stockholders Equity

On May 12, 2011, the Company's stockholders approved the 2011 Stock Option and Incentive Plan (the 2011 Plan). The 2011 Plan provides for the issuance of up to a maximum number of shares of common stock equal to the sum of (i) 1,000,000, plus (ii) the number of shares of common stock underlying any grants pursuant to the 2011 Plan or the Plug Power Inc. 1999 Stock Option and Incentive Plan that are forfeited, canceled, repurchased or are terminated (other than by exercise). The shares may be issued pursuant to stock options, stock appreciation rights, restricted stock awards and certain other equity-based awards granted to employees, directors and consultants of the Company. No grants may be made under the 2011 Plan after May 12, 2021. On May 16, 2012, the stockholders approved an amendment to the 2011 Plan, to increase the number of shares of the Company's common stock authorized for issuance under the 2011 Plan from 1,000,000 to 6,500,000.

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.

On June 8, 2011, the Company sold 836,750 additional shares of common stock, pursuant to the underwriter's partial exercise of its over-allotment option, resulting in additional net proceeds to Plug Power of \$1,874,990.

Edgar Filing: PLUG POWER INC - Form 10-Q

On July 1, 2011, the Company sold 231,000 additional shares of common stock, pursuant to the underwriter's partial exercise of its over-allotment option, resulting in additional net proceeds to Plug Power of \$527,626.

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.

	13	
--	-----------	--

Table of Contents

Changes in stockholders' equity for the six months ended June 30, 2012 are as follows:

	Common Stock			Treasury Stock			Total Stockholders' Equity	
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Shares	Amount		
December 31, 2011	22,928,422	\$ 22,244	\$ 784,213,871	\$ 928,744	165,906	\$ (1,552,382)	\$ (754,783,812)	\$ 29,035,665
Net loss	-	-	-	-	-	-	(13,062,656)	(13,062,656)
Foreign currency translation gain	-	-	-	(4,040)	-	-	-	(4,040)
Stock based compensation	176,457	1,765	1,004,625	-	-	-	-	1,006,390
Public offering common stock, net	14,950,000	14,950,000	15,644,525	-	-	-	-	15,794,025
June 30, 2012	38,054,880	\$ 380,509	\$ 800,863,021	\$ 924,704	165,906	\$ (1,552,382)	\$ (767,846,468)	\$ 32,769,384

6. Earnings Per Share

Basic earnings per common share are computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options, unvested restricted stock, and warrants) were exercised or converted into common stock or resulted in the issuance of common stock (net of any assumed repurchases) that then shared in the earnings of the Company, if any. This is computed by dividing net earnings by the combination of dilutive common share equivalents, which is comprised of shares issuable under outstanding warrants and the Company's share-based compensation plans, and the weighted average number of common shares outstanding during the reporting period. Since the Company is in a net loss position, all common stock equivalents would be considered to be anti-dilutive and are, therefore, not included in the determination of diluted earnings per share. Accordingly, basic and diluted loss per share are the same.

The following table provides the components of the calculations of basic and diluted earnings per share:

Edgar Filing: PLUG POWER INC - Form 10-Q

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Numerator:				
Net loss	\$ (6,479,554)	\$ (6,752,668)	\$ (13,062,656)	\$ (13,995,868)
Denominator:				
Weighted average number of common shares outstanding	37,853,358	16,320,235	30,645,479	14,781,215

The potential dilutive common shares are summarized as follows:

	At June 30, 2012	2011
Stock options outstanding	2,005,657	1,059,953
Unvested restricted stock	275,262	409,164
Common stock warrants (1)	9,421,008	7,128,563
Number of dilutive potential common shares	11,701,927	8,597,680

- (1) On May 31, 2011, the Company granted 7,128,563 warrants as part of an underwritten public offering. As a result of the March 28 and 29, 2012 public offerings described in Note 5, the number of warrants increased to 9,421,008.

Table of Contents**7. Inventory**

Inventory as of June 30, 2012 and December 31, 2011 consisted of the following:

	June 30, 2012	December 31, 2011
Raw materials and supplies	\$ 8,571,406	\$ 9,159,004
Work-in-process	95,992	462,832
Finished goods	843,921	732,871
	\$ 9,511,319	\$ 10,354,707

8. Intangible Assets

The gross carrying amount and accumulated amortization of the Company's acquired identifiable intangible assets related to Plug Power Canada Inc. as of June 30, 2012 are as follows:

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation	Total
Acquired Technology	8 years	\$ 15,900,000	\$ (11,060,824)	\$ 1,122,959	\$ 5,962,135
Customer Relationships	8 years	1,000,000	(645,833)	-	354,167
		\$ 16,900,000	\$ (11,706,657)	\$ 1,122,959	\$ 6,316,302

The gross carrying amount and accumulated amortization of the Company's acquired identifiable intangible assets related to Plug Power Canada Inc. as of December 31, 2011 are as follows:

	Weighted Average	Gross Carrying	Accumulated	Effect of Foreign Currency
--	------------------	----------------	-------------	-------------------------------

Edgar Filing: PLUG POWER INC - Form 10-Q

	Amortization Period	Amount	Amortization	Translation	Total
Acquired Technology	8 years	\$ 15,900,000	\$ (9,974,597)	\$ 1,132,529	\$ 7,057,932
Customer Relationships	8 years	1,000,000	(583,296)	-	416,704
		\$ 16,900,000	\$ (10,557,893)	\$ 1,132,529	\$ 7,474,636

9. Income Taxes

Under Internal Revenue Code (IRC) Section 382, the use of net operating loss carry-forwards, capital loss carry-forwards and other tax credit carry-forwards may be limited if a change in ownership of a company occurs. If it is determined that due to transactions involving the Company's shares owned by its five percent stockholders a change of ownership has occurred under the provisions of IRC Section 382, the Company's net operating loss, capital loss and tax credit carry-forwards could be subject to significant IRC Section 382 limitations.

Prior to March 2011, the Company had approximately \$703 million in Federal and state net operating loss carry-forwards and \$15.6 million in Federal research and experimentation tax credit carry-forwards. A Section 382 ownership change occurred during March 2011 that resulted in approximately \$675 million of Federal and state net operating loss carry-forwards being subject to IRC Section 382 limitations and as a result of IRC Section 382 limitations, approximately \$618 million of the net operating loss carry-forwards and \$15.6 million of the Federal research and experimentation tax credit carry-forwards will expire prior to utilization. As a result of the IRC Section 382 limitations, these net operating loss and tax credit carry-forwards that will expire unutilized were not reflected in the Company's gross deferred tax asset as of December 31, 2011. The ownership change also resulted in Net Unrealized Built in Losses per IRS Notice 2003-65 which should result in Recognized Built in Losses during the five year recognition period of approximately \$7 million. This will translate into unfavorable book to tax add backs in the Company's 2011 to 2016 U.S. corporate income tax returns that resulted in a gross deferred tax liability of \$2.6 million at the time of the ownership change and \$1.8 million at December 31, 2011 with a corresponding reduction to the valuation allowance. This gross deferred tax liability will offset certain existing gross deferred tax assets (i.e. capitalized research expense). This had no impact on the Company's current financial position, results of operations, or cash flows because of the full valuation allowance.

Table of Contents

As a result of certain equity transactions by five percent stockholders, a Section 382 ownership change occurred during March 2012 that resulted in all but approximately \$14.9 million of the Company's Federal and state net operating loss carry-forwards expiring prior to utilization, which resulted in the Company's gross deferred tax asset and related valuation allowance decreasing by approximately \$24.6 million. The ownership also resulted in Net Unrealized Built in Losses per IRS Notice 2003-65 which should result in Recognized Built in Losses during the five year recognition period of approximately \$34.0 million. This will translate into unfavorable book to tax add backs in the Company's 2012 to 2017 U.S. corporate income tax returns that would result in a gross deferred tax liability of \$12.9 million at the time of the ownership change with a corresponding reduction to the valuation allowance. This gross deferred tax liability will offset certain existing gross deferred tax assets (i.e. capitalized research expense). These decreases would have no impact on the Company's financial position, results of operations, or cash flows. However, these potential future tax benefits would no longer be available to the Company.

10. Note Receivable

On May 25, 2012, we executed a \$663,359 Promissory Note with Forem Energy Group, maturing on May 25, 2022. This note is unsecured and bears interest at an annual rate of 2.9%. Accordingly, receivables relating to this agreement in the amount of \$600,419 and \$62,940 have been recorded as note receivable and current portion note receivable (prepaid expenses and other current assets), respectively, in the condensed consolidated balance sheets as of June 30, 2012.

11. Fair Value

The Company complies with the provisions of FASB ASC No. 820, Fair Value Measurements and Disclosures (ASC 820), in measuring fair value and in disclosing fair value measurements. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. FASB ASC No. 820-10-35, Fair Value Measurements and Disclosures- Subsequent Measurement (ASC 820-10-35), clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10-35-3 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model.

ASC 820-10-35 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1 Inputs Level 1 inputs are unadjusted quoted prices in active markets for assets or liabilities identical to those to be reported at fair value. An active market is a market in which transactions occur for the item to be fair valued with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs Level 2 inputs are inputs other than quoted prices included within Level 1. Level 2 inputs are observable either directly or indirectly. These inputs include: (a) Quoted prices for similar assets or liabilities in active markets; (b) Quoted prices for identical or similar assets or liabilities in markets that are not active, such as when there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially over time or in which little information is released publicly; (c) Inputs other than quoted prices that are observable for the asset or liability; and (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Table of Contents

Level 3 Inputs Level 3 inputs are unobservable inputs for an asset or liability. These inputs should be used to determine fair value only when observable inputs are not available. Unobservable inputs should be developed based on the best information available in the circumstances, which might include internally generated data and assumptions being used to price the asset or liability.

When determining the fair value measurements for assets or liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

The following tables summarize the basis used to measure certain financial assets and liabilities at fair value on a recurring basis in the condensed consolidated balance sheets:

		Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Balance at June 30, 2012	Total			
Common stock warrant liability	\$ 3,029,189	\$ -	\$ -	\$ 3,029,189

The following tables show reconciliations of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs (i.e. Level 3) for the six months ended June 30, 2012:

	Fair Value Measurement Using Significant Unobservable Inputs
Common stock warrant liability	
Beginning of period - January 1, 2012	\$ 5,320,990
Change in fair value of common stock warrants	(2,291,801)

Fair value of common stock warrant liability at June 30, 2012	\$	3,029,189
---	----	-----------

The following summarizes the valuation technique for assets and liabilities measured and recorded at fair value:

Common stock warrant liability: For our level 3 securities, which represent common stock warrants, fair value is based on the Black-Scholes pricing model which is based, in part, upon unobservable inputs for which there is little or no market data, requiring the Company to develop its own assumptions.

The following disclosure of the estimated fair value of financial instruments is made in accordance with the provision of ASC 825-10-65, Financial Instruments, which requires disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. Although the estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies, the estimates presented are not necessarily indicative of the amounts that the Company could realize in current market exchanges.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

	17	
--	----	--

Table of Contents

Cash and cash equivalents, accounts receivable, accrued interest receivable and payable, accounts payable and borrowings under line of credit: The carrying amounts reported in the condensed consolidated balance sheets approximate fair value because of the short maturities of these instruments.

12. Commitments and Contingencies

In September 2011, the Company signed a letter of credit with Silicon Valley Bank in the amount of \$525,000. The standby letter of credit is required by an agreement negotiated between Air Products and Chemicals, Inc. (Air Products) and the Company to supply hydrogen infrastructure and hydrogen to Central Grocers at their distribution center. There are no collateral requirements associated with this letter of credit.

The Equipment Sale Agreement Addendum No. 1 between Ballard and the Company was executed on June 30, 2011. This addendum relates to a committed purchase by the Company of a total of 3,250 Ballard fuel cell stacks between the dates of July 1, 2011 and December 31, 2012. The amount of this commitment was approximately \$9.4 million. As of June 30, 2012, the Company had purchased 1,884 stacks, and has a remaining commitment of approximately \$3.7 million. In conjunction with this agreement, the Company paid a one-time non-recurring engineering fee of \$450,000 to Ballard to be used at Ballard's sole discretion for the purposes of product development, cost reduction and production implementation. This fee is being amortized to research and development expense over a period of eighteen months.

Concentrations of credit risk with respect to receivables exist due to the limited number of select customers that the Company has initial commercial sales arrangements with and with government agencies. To mitigate credit risk, the Company performs appropriate evaluation of a prospective customer's financial condition.

At June 30, 2012, four customers comprise approximately 82.6% of the total accounts receivable balance, with each customer individually representing 46.9%, 25.3%, 5.8%, and 4.6% of total accounts receivable, respectively. At December 31, 2011, five customers comprise approximately 83.0% of the total accounts receivable balance, with each customer individually representing 27.0%, 17.3%, 16.4%, 12.1%, and 10.2% of total accounts receivable, respectively.

For the six months ended June 30, 2012, contracts with three customers comprise approximately 63.2% of total consolidated revenues, with each customer representing 25.3%, 24.9%, and 13.0%, respectively. For the six months

ended June 30, 2011, contracts with three customers and two federal government agencies comprised approximately 72.6% of total consolidated revenues, with each customer representing 28.3%, 12.5%, 11.6%, 10.1%, and 10.1%, respectively.

The product and service revenue contracts we entered into generally provide a one to two-year product warranty to customers from date of installation. We currently estimate the costs of satisfying warranty claims based on an analysis of past experience and provide for future claims in the period the revenue is recognized.

The following table summarizes product warranty activity recorded during the six months ended June 30, 2012 and 2011:

	June 30, 2012	June 30, 2011
Beginning balance - January 1	\$ 1,210,919	\$ 862,480
Additions for current year deliveries	346,970	445,570
Reductions for payments made	(537,879)	(336,950)
Ending balance - June 30	\$ 1,020,010	\$ 971,100

Table of Contents**13. Supplemental Disclosures of Cash Flows Information**

The following represents required supplemental disclosures of cash flows information and non-cash financing and investing activities which occurred during the six months ended June 30, 2012 and 2011:

	June 30, 2012	June 30, 2011
Stock-based compensation accrual impact, net	\$ (12,474)	\$ (10,021)
Change in unrealized gain on available-for-sale securities	-	18,502
Transfer of investment in leased property to inventory	-	263,239
Transfer of assets held for sale to inventory	-	1,000,000

Table of Contents**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto included within this report, and our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K filed for the fiscal year ended December 31, 2011. In addition to historical information, this Form 10-Q and the following discussion contain statements that are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements contain projections of our future results of operations or of our financial position or state other forward-looking information. In some cases you can identify these statements by forward-looking words such as anticipate, believe, could, continue, estimate, expect, intend, may, should, will, would, plan, projected or the negative of such words or other similar words or phrases. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Investors are cautioned not to unduly rely on forward-looking statements because they involve risks and uncertainties, and actual results may differ materially from those discussed as a result of various factors, including, but not limited to: the risk that we continue to incur losses and might never achieve or maintain profitability, the risk that we expect we will need to raise additional capital to fund our operations and such capital may not be available to us; the risk that the previously disclosed expected uses of the Company's recently raised capital may change; our lack of extensive experience in manufacturing and marketing products may impact our ability to manufacture and market products on a profitable and large-scale commercial basis; the risk that unit orders will not ship, be installed and/or converted to revenue; the risk that pending orders may not convert to purchase orders; the cost and timing of developing, marketing and selling our products and our ability to raise the necessary capital to fund such costs; the ability to achieve the forecasted gross margin on the sale of our products; the actual net cash used for operating expenses may exceed the projected net cash for operating expenses; the cost and availability of fuel and fueling infrastructures for our products; market acceptance of our GenDrive systems; our ability to establish and maintain relationships with third parties with respect to product development, manufacturing, distribution and servicing and the supply of key product components; the cost and availability of components and parts for our products; our ability to develop commercially viable products; our ability to reduce product and manufacturing costs; our ability to successfully expand our product lines; our ability to improve system reliability for our GenDrive systems; competitive factors, such as price competition and competition from other traditional and alternative energy companies; our ability to protect our intellectual property; the cost of complying with current and future federal, state and international governmental regulations; and other risks and uncertainties discussed, but are not limited to, those set forth in Item 1A-Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as filed on March 30, 2012 as updated by Part II, Item 1A of our Form 10-Q for the quarter ended March 31, 2012 and this Form 10-Q. Readers should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future performance. Except as may be required by applicable law, we do not undertake or intend to update any forward-looking statements after the date of this Form 10-Q.

Overview

Plug Power Inc., or the Company, is a leading provider of alternative energy technology focused on the design, development, commercialization and manufacture of fuel cell systems for the industrial off-road (forklift or material handling) market. We continue to leverage our unique fuel cell application and integration knowledge to identify early adopter markets for which we can design and develop innovative systems and customer solutions that provide superior value, ease-of-use and environmental design. We have made significant progress in our analysis of the material handling market. We believe we have developed reliable products which allow the end customers to eliminate incumbent power sources from their operations, and realize their sustainability objectives through clean energy alternatives.

In October, 2011 we introduced our next generation GenDrive products. These next generation fuel cell units include a simplified architecture featuring 30% fewer components, giving customers greater flexibility in managing their deployments.

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. Accordingly, in 2010, we restructured and consolidated our operations to focus on the GenDrive business. This restructuring significantly reduced our operating expenses in 2011. As of June 30, 2012, we had approximately \$25.5 million of working capital, which includes \$15.9 million of cash and cash equivalents to fund our future operations. Our future liquidity and capital requirements will depend upon numerous factors, including those identified in Part II, Item 1A (Risk Factors) of this Form 10-Q.

Table of Contents

Recent Developments

On January 24, 2012, the Company entered into a Master and Shareholders' Agreement with Axane, S.A., a subsidiary of Air Liquide, pursuant to which the Company and Axane formed a joint venture company based in France under the name HyPulsion (the "JV"). The principal purpose of the JV will be to develop and sell hydrogen fuel cell systems for the European material handling market. On February 29, 2012, the Company completed the formation of the JV and the Company and the JV entered into a Contribution and License Agreement and a Supply and Engineered Services Agreement.

On March 23, 2012, the Company and Broadridge Corporate Issuer Solutions, Inc., as rights agent, entered into Amendment No. 3 (the Rights Amendment) to the Shareholders Rights Agreement, dated as of June 23, 2009 (as amended, the Rights Agreement). The Rights Amendment provides that, generally, any beneficial ownership of shares of our common stock by affiliates and associates of AWM Investments Company, including but not limited to Special Situations Technology Fund, L.P., Special Situations Technology Fund II, L.P., and Special Situations Private Equity Fund, L.P., (collectively, SSF) will not cause the preferred stock purchase rights to become exercisable under the Rights Agreement, so long as SSF and their affiliates and associates do not at any time beneficially own shares of our common stock equaling or exceeding three percent more than the percentage of the then outstanding shares of common stock beneficially owned by SSF and their affiliates and associates immediately following the closing of our public offering on March 28, 2012.

On March 28, 2012, the Company completed an underwritten public offering of 13,000,000 shares of common stock. The shares were sold at \$1.15 per share for gross proceeds of approximately \$15.0 million. Net proceeds, after underwriting discounts and commissions and other estimated fees and expenses payable by the Company, were approximately \$13.7 million. The Company intends to use the net proceeds of the offering for general corporate purposes, which may include working capital, capital expenditures, research and development expenditures, commercial expenditures, acquisitions of new technologies or businesses that are complementary to its current technologies or business focus, and investments. In connection with the offering, the Company granted the underwriter a 45-day option to purchase up to an additional 1,950,000 shares of common stock to cover over-allotments.

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

As a result of the March 28 and 29, 2012 public offerings and pursuant to the effect of the anti-dilution provisions included in our warrants issued in 2011, the exercise price of the warrants was reduced from \$3.00 per share of common stock 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 from 7,128,563

shares to 9,421,008 shares.

On March 30, 2012, the Company executed a Second Loan Modification Agreement with SVB, amending the Loan Agreement. This Second Loan Modification Agreement increases the total revolving credit facility availability from \$7 million to \$15 million to support working capital need, and extends the agreement through March 29, 2013. All remaining terms of the Loan Agreement remain in full force and effect.

	21	
--	----	--

Table of Contents

Results of Operations

Product and service revenue. Effective April 1, 2010, the Company adopted ASU No. 2009-13 on Topic 605, Revenue Recognition – Multiple Deliverable Revenue Arrangements retroactive to January 1, 2010. ASU No. 2009-13 amends the FASB ASC to eliminate the residual method of allocation for multiple-deliverable revenue arrangements, and requires that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. The Company anticipates that the effect of the adoption of this guidance on subsequent periods will be primarily based on the arrangements entered into and the timing of shipment of deliverables. See Note 3, Multiple-Deliverable Revenue Arrangements, of the condensed consolidated financial statements, Part I, Item 1 of this Form 10-Q for further discussion of our multiple-deliverable revenue arrangements.

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 can 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.

Product and service revenue for the three months ended June 30, 2012 increased \$4.6 million, or 174.8%, to \$7.2 million from \$2.6 million for the three months ended June 30, 2011. During the three months ended June 30, 2012 we shipped 388 fuel cell systems to end customers as compared to 73 fuel cell systems shipped during the three months ended June 30, 2011. During the three months ended June 30, 2012, and June 30, 2011, we deferred \$669,000 and \$273,000 in revenue, respectively, due to contingent provisions in our agreements, as well as deliverables under ASU No. 2009-13 on Topic 605, Revenue Recognition – Multiple Deliverable Revenue Arrangements, where the deliverables have not yet been met. Additionally, in the three months ended June 30, 2012, we recognized approximately \$648,000 of deferred revenue due to deliverables that have now been met, whereas in the three months ended June 30, 2011, we recognized approximately \$327,000 of deferred revenue due to deliverables that have now been met.

Product and service revenue for the six months ended June 30, 2012 increased \$6.8 million, or 89.6%, to \$14.4 million from \$7.6 million for the six months ended June 30, 2011. During the six months ended June 30, 2012 we shipped 687 fuel cell systems to end customers as compared to 217 fuel cell systems shipped during the six months ended June 30, 2011. During the six months ended June 30, 2012, and June 30, 2011, we deferred \$2.7 million and \$526,000 in revenue, respectively, due to contingent provisions in our agreements, as well as deliverables under ASU No. 2009-13 on Topic 605, Revenue Recognition – Multiple Deliverable Revenue Arrangements, where the deliverables have not yet been met. Additionally, in the six months ended June 30, 2012, we recognized approximately \$1.6 million of deferred revenue due to deliverables that have now been met, whereas in the six months ended June 30, 2011, we recognized approximately \$802,000 of deferred revenue due to deliverables that have now been met.

Research and development contract revenue. Research and development contract revenue primarily relates to cost reimbursement research and development contracts associated with the development of PEM fuel cell technology. We generally share in the cost of these programs with our cost-sharing percentages generally ranging from 30% to 50% of total project costs. Revenue from time and material contracts is recognized on the basis of hours expended plus other reimbursable contract costs incurred during the period. We expect to continue certain research and development contract work that is directly related to our current product development efforts.

Research and development contract revenue for the three months ended June 30, 2012 decreased approximately \$1.1 million, or 70.7%, to \$458,000 from \$1.6 million for the three months ended June 30, 2011. The decrease is primarily related to fewer active projects in 2012.

Research and development contract revenue for the six months ended June 30, 2012 decreased approximately \$1.4 million, or 58.6%, to \$973,000 from \$2.3 million for the six months ended June 30, 2011. The decrease is primarily related to fewer active projects in 2012.

	22	
--	----	--

Table of Contents

Licensed technology revenue. Licensed technology revenue relates to the sale of licensing rights and engineering assistance. This revenue was being amortized over a twelve month period that ended in October 2011.

Licensed technology revenue for the three months and six months ended June 30, 2011 was approximately \$163,000 and \$326,000, respectively.

Cost of product and service revenue. Cost of product and service revenue includes the direct material and labor cost as well as an allocation of overhead costs that relate to the manufacturing of products we sell. In addition, cost of product and service revenue also includes the labor and material costs incurred for product maintenance, replacement parts and service under our contractual obligations.

Cost of product and service revenue for the three months ended June 30, 2012 increased approximately \$3.7 million, or 75.3%, to \$8.6 million from \$4.9 million for the three months ended June 30, 2011. This increase is directly related to increased fuel cell shipments to end customers. There were 388 fuel cell systems shipped during the three months ended June 30, 2012 as compared to 73 for the three months ended June 30, 2011.

Cost of product and service revenue for the six months ended June 30, 2012 increased approximately \$6.1 million, or 52.3%, to \$17.7 million from \$11.6 million for the six months ended June 30, 2011. This increase is directly related to increased fuel cell shipments to end customers. There were 687 fuel cell systems shipped during the six months ended June 30, 2012 as compared to 217 for the six months ended June 30, 2011.

Cost of research and development contract revenue. Cost of research and development contract revenue includes costs associated with research and development contracts including: cash and non-cash compensation and benefits for engineering and related support staff, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies used and other directly allocable general overhead costs allocated to specific research and development contracts.

Cost of research and development contract revenue for the three months ended June 30, 2012 decreased approximately \$1.6 million, or 66.3%, to \$833,000 from \$2.5 million for the three months ended June 30, 2011. The decrease is primarily a result of fewer active contracts in 2012, coupled with a lower percentage of cost sharing on active contracts in 2012.

Cost of research and development contract revenue for the six months ended June 30, 2012 decreased approximately \$2.2 million, or 58.0%, to \$1.6 million from \$3.8 million for the six months ended June 30, 2011. The decrease is primarily a result of fewer active contracts in 2012, coupled with a lower percentage of cost sharing on active contracts in 2012.

Research and development expense. Research and development expense includes: materials to build development and prototype units, cash and non-cash compensation and benefits for the engineering and related staff, expenses for contract engineers, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies consumed, facility related costs such as computer and network services and other general overhead costs associated with our research and development activities.

Research and development expense for the three months ended June 30, 2012 increased approximately \$471,000, or 42.6%, to \$1.6 million from \$1.1 million for the three months ended June 30, 2011. This increase was a result of engineering personnel charging less time to government programs due to fewer contracts in 2012.

Research and development expense for the six months ended June 30, 2012 increased approximately \$636,000, or 29.3%, to \$2.8 million from \$2.2 million for the three months ended June 30, 2011. This increase was a result of an increase in personnel, coupled with engineering personnel charging less time to government programs due to fewer contracts in 2012.

	23	
--	----	--

Table of Contents

Selling, general and administrative expenses. Selling, general and administrative expenses includes cash and non-cash compensation, benefits and related costs in support of our general corporate functions, including general management, finance and accounting, human resources, selling and marketing, information technology and legal services.

Selling, general and administrative expenses for the three months ended June 30, 2012 decreased approximately \$316,000, or 8.1%, to \$3.6 million from \$3.9 million for the three months ended June 30, 2011. The decrease was primarily the result of lower professional fees.

Selling, general and administrative expenses for the six months ended June 30, 2012 increased approximately \$59,000, or 0.8%, to \$7.5 million from \$7.4 million for the six months ended June 30, 2011. The increase was primarily the result of lower professional fees, offset by an increase in personnel related costs.

Amortization of intangible assets. Amortization of intangible assets represents the amortization associated with the Company's acquired identifiable intangible assets from Plug Power Canada Inc., including acquired technology and customer relationships, which are being amortized over eight years.

Amortization of intangible assets decreased to approximately \$573,000 for the three months ended June 30, 2012, compared to approximately \$588,000 for the three months ended June 30, 2011. The decrease is related to foreign currency fluctuations.

Amortization of intangible assets decreased to approximately \$1.1 million for the six months ended June 30, 2012, compared to approximately \$1.2 million for the six months ended June 30, 2011. The decrease is related to foreign currency fluctuations.

Interest and other income and net realized losses from available-for-sale securities. Interest and other income and net realized losses from available-for-sale securities consists primarily of interest earned on our cash, cash equivalents, available-for-sale securities, and rental income.

Interest and other income and net realized losses from available-for-sale securities for the three months ended June 30, 2012 decreased approximately \$43,000, or 49.9%, to \$44,000 from \$87,000 for the three months ended June 30, 2011. The decrease is primarily related to a decrease in rental income.

Interest and other income and net realized losses from available-for-sale securities for the six months ended June 30, 2012 decreased approximately \$30,000, or 24.7%, to \$91,000 from \$121,000 for the six months ended June 30, 2011. The decrease is primarily related to a decrease in rental income, partially offset by a realized loss from available-for-sale securities recorded in the first quarter of 2011.

Change in fair value of common stock warrant liability. We account for common stock warrants in accordance with applicable accounting guidance provided in 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. Derivative warrant liabilities are valued using the Black-Scholes pricing model at the date of initial issuance and each subsequent balance sheet date. Changes in the fair value of the warrants are reflected in the condensed consolidated statement of operations as change in the fair value of common stock warrant liability.

The change in fair value of common stock warrant liability for the three months ended June 30, 2012 decreased \$737,000 or 41.2%, to \$1.1 million from \$1.8 million for the three months ended June 30, 2011. The change in fair

value of common stock warrant liability for the six months ended June 30, 2012 increased \$501,000 or 28.0%, to \$2.3 million from \$1.8 million for the six months ended June 30, 2011. These variances are primarily due to changes in the Company's common stock share price, and changes in volatility of our common stock, which are significant inputs to the Black-Scholes valuation model.

	24	
--	----	--

Table of Contents

Interest and other expense and foreign currency gain (loss). Interest and other expense and foreign currency gain (loss) consists of interest related to the Loan and Security Agreement, loan modification fees related to the Credit Line Agreement, and foreign currency exchange gain (loss).

Interest and other expense and foreign currency gain (loss) for the three months ended June 30, 2012 and 2011 was approximately \$(43,000) and \$5,000, respectively. Interest and other expense related to the Credit Line Agreement was approximately \$43,000 and \$0, respectively, for the three months ended June 30, 2012 and 2011.

Interest and other expense and foreign currency gain (loss) for the six months ended June 30, 2012 and 2011 was approximately \$(99,000) and \$20,000, respectively. Interest and other expense related to the Credit Line Agreement was approximately \$109,000 and \$0, respectively, for the six months ended June 30, 2012 and 2011.

Income taxes. We did not report a benefit for federal and state income taxes in the condensed consolidated financial statements for the three and six months ended June 30, 2012 and 2011 as the deferred tax asset generated from our net operating loss has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carry forward will not be realized.

Liquidity and Capital Resources

We have experienced recurring operating losses and as of June 30, 2012, we had an accumulated deficit of approximately \$767.8 million. Substantially all of our losses resulted from costs incurred in connection with our operating expenses, research and development expenses and from general and administrative costs associated with our operations. To date, we have funded our operations primarily through private and public offerings of our common and preferred stock, our line of credit and maturities and sales of our available-for-sale securities. We anticipate incurring substantial additional losses and may never achieve profitability.

As of June 30, 2012, we had approximately \$25.5 million of working capital, which includes \$15.9 million of cash and cash equivalents to fund our future operations. Additionally, as of March 30, 2012, we executed a Second Loan Modification Agreement with Silicon Valley Bank which increased our credit facility, providing us access of up to \$15 million in financing, subject to borrowing base limitations, to support working capital needs (See Note 4, Loan and Security Agreement, of the condensed consolidated financial statements). We believe that our current cash, cash equivalents and cash generated from future sales, in conjunction with the availability of the credit facility, will provide sufficient liquidity to fund operations into 2013. This projection is based on our current expectations regarding product sales, cost structure, cash burn rate and operating assumptions.

In the event that our operating expenses are higher than anticipated or the gross margins and shipments of our GenDrive products do not increase as we expect, we may be required to implement contingency plans within our control to conserve and/or enhance our liquidity to meet operating needs. Such plans include: our ability to further reduce discretionary expenses, monetize our real estate assets through a sale-leaseback arrangement and obtain additional funding from licensing the use of our technologies. 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 achieve profitability and meet future liquidity needs and capital requirements 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. As a result, we can provide no assurance that we will be able to fund our operations beyond 2013 without additional external financing.

	25	
--	----	--

Table of Contents

If additional funding is required beyond 2013, alternatives the Company would consider include equity or debt financings, strategic alliances or joint ventures. Under such conditions, if we are unable to obtain additional capital in 2013, we may not be able to sustain our future operations and may be required to delay, reduce and/or cease our operations and/or seek bankruptcy protection. We cannot assure you that any necessary additional financing will be available on terms favorable to us, or at all. Given the difficult current economic environment, we believe that it could be difficult to raise additional funds and there can be no assurance as to the availability of additional financing or the terms upon which additional financing may be available. Additionally, even if we raise sufficient capital through equity or debt financing, strategic alliances or otherwise, there can be no assurances that the revenue or 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. 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.

Several key indicators of liquidity are summarized in the following table:

(in thousands)	Six months ended or at June 30, 2012	Six months ended or at June 30, 2011	Year ended or at December 31, 2011
Cash and cash equivalents at end of period	15,851	27,151	13,857
Borrowings under line of credit at end of period	-	-	5,405
Working capital at end of period	25,520	30,625	22,452
Net loss	13,063	13,996	27,454
Net cash used in operating activities	8,407	13,172	33,310
Purchase of property, plant and equipment	41	1,065	1,326

The Company is party to a loan and security agreement, as amended, (the Loan Agreement) with Silicon Valley Bank (SVB) providing the Company with access to up to \$15,000,000 of financing in the form of (i) revolving loans, (ii) letters of credit, (iii) foreign exchange contracts and (iv) cash management services such as merchant services, direct deposit of payroll, business credit card and check cashing services.

Advances under the Loan Agreement cannot exceed a borrowing base limit calculated using (A) an advanced rate of 80% on the Company's eligible accounts receivable and (B) an advanced rate of 25% on the Company's eligible inventory (subject to a limit of the lesser of (a) \$3 million and (b) 30% of all outstanding advances), subject to certain reserves established by SVB and other adjustments.

Interest on advances of credit under the Loan Agreement for: (i) financed accounts receivables are equal to (a) SVB's prime rate, which is currently 3.25% per annum, plus 3.0% per annum or (b) if the Company maintains at all times during any month an adjusted quick ratio of 2.0 to 1.0, then SVB's prime rate plus 1.50% per annum; and (ii) financed inventory is equal to (a) SVB's prime rate plus 5.25% per annum or (b) if the Company maintains at all times during any month an adjusted quick ratio of 2.0 to 1.0, then SVB's prime rate plus 3.25% per annum. The minimum monthly interest charge is \$6,000 per month. The Loan Agreement will be used by the Company to support its current working capital needs.

The Loan Agreement is secured by substantially all of the Company's properties, rights and assets, including substantially all of its equipment, inventory, receivables, intellectual property and general intangibles.

The Loan Agreement includes customary representations and warranties for credit facilities of this type. In addition, the Loan Agreement contains a number of covenants that will impose significant operating and financial restrictions on the Company's operations, including restrictions pertaining to, among other things: (i) the condition of inventory; (ii) maintenance of an adjusted quick ratio of at least 1.50 to 1.0; (iii) intellectual property right protection and registration; (iv) dispositions of assets; (v) changes in business, management, ownership or business locations; (vi) mergers, consolidations or acquisitions; (vii) incurrence or assumption of indebtedness; (viii) incurrence of liens on any of the Company's property; (ix) paying dividends or making distributions on, or redemptions, retirements or repurchases of, capital stock; (x) transactions with affiliates; and (xi) payments on or amendments to subordinated debt. As of June 30, 2012 the Company is in compliance with these covenants.

	26	
--	----	--

Table of Contents

The Loan Agreement also contains events of default customary for credit facilities of this type with, in some cases, corresponding grace periods, including, (i) failure to pay any principal or interest when due, (ii) failure to comply with covenants, (iii) any material adverse change occurring, (iv) an attachment, levy or restraint on our business, (v) certain bankruptcy or insolvency events, (vi) payment defaults relating to, or acceleration of, other indebtedness or that could result in a material adverse change to the Company's business, (vii) the Company or its subsidiaries becoming subject to judgments, claims or liabilities in an amount individually or in aggregate in excess of \$150,000 (viii) any misrepresentations, or (ix) any revocation, invalidation, breach or invalidation of any subordinated debt.

The Loan Agreement will expire on March 29, 2013. The Loan Agreement may be terminated prior to March 29, 2013; however, the Company would be required to pay a \$150,000 early termination fee in connection with a termination (i) by the Company for any reason or (ii) by SVB upon notice and after the occurrence and during the continuance of an event of default. At June 30, 2012 there were no borrowings outstanding.

During the six months ended June 30, 2012, cash used for operating activities was \$8.4 million, consisting primarily of a net loss of \$13.1 million, offset by changes in operating assets and liabilities of \$3.8 million, and net non-cash expenses in the amount of \$0.9 million, including \$2.1 million for amortization and depreciation, \$1.0 million for stock based compensation, \$58,000 for loss on disposal of property, plant and equipment, offset by a \$2.3 million reduction for the change in fair value of common stock warrant liability. Cash provided by investing activities for the six months ended June 30, 2012 was \$17,000, consisting of purchases of property, plant and equipment of \$41,000, offset by proceeds from the disposal of property, plant and equipment of \$58,000. Cash provided by financing activities for the six months ended June 30, 2012 was approximately \$10.4 million consisting primarily of \$17.2 million in proceeds from the public offering offset by \$1.4 million in public offering costs and \$5.4 million in repayment of borrowings under line of credit.

Income Taxes

Under Internal Revenue Code (IRC) Section 382, the use of net operating loss carry-forwards, capital loss carry-forwards and other tax credit carry-forwards may be limited if a change in ownership of a company occurs. If it is determined that due to transactions involving the Company's shares owned by its five percent stockholders a change of ownership has occurred under the provisions of IRC Section 382, the Company's net operating loss, capital loss and tax credit carry-forwards could be subject to significant IRC Section 382 limitations.

Prior to March 2011, the Company had approximately \$703 million in Federal and state net operating loss carry-forwards and \$15.6 million in Federal research and experimentation tax credit carry-forwards. A Section 382 ownership change occurred during March 2011 that resulted in approximately \$675 million of Federal and state net operating loss carry-forwards being subject to IRC Section 382 limitations and as a result of IRC Section 382 limitations, approximately \$618 million of the net operating loss carry-forwards and \$15.6 million of the Federal research and experimentation tax credit carry-forwards will expire prior to utilization. As a result of the IRC Section 382 limitations, these net operating loss and tax credit carry-forwards that will expire unutilized were not reflected in the Company's gross deferred tax asset as of December 31, 2011. The ownership change also resulted in Net Unrealized Built in Losses per IRS Notice 2003-65 which should result in Recognized Built in Losses during the five year recognition period of approximately \$7 million. This will translate into unfavorable book to tax add backs in the

Company's 2011 to 2016 U.S. corporate income tax returns that resulted in a gross deferred tax liability of \$2.6 million at the time of the ownership change and \$1.8 million at December 31, 2011 with a corresponding reduction to the valuation allowance. This gross deferred tax liability will offset certain existing gross deferred tax assets (i.e. capitalized research expense). This had no impact on the Company's current financial position, results of operations, or cash flows because of the full valuation allowance.

	27	
--	----	--

Table of Contents

As a result of certain equity transactions by five percent stockholders, a Section 382 ownership change occurred during March 2012 that resulted in all but approximately \$14.9 million of the Company's Federal and state net operating loss carry-forwards expiring prior to utilization, which resulted in the Company's gross deferred tax asset and related valuation allowance decreasing by approximately \$24.6 million. The ownership also resulted in Net Unrealized Built in Losses per IRS Notice 2003-65 which should result in Recognized Built in Losses during the five year recognition period of approximately \$34.0 million. This will translate into unfavorable book to tax add backs in the Company's 2012 to 2017 U.S. corporate income tax returns that would result in a gross deferred tax liability of \$12.9 million at the time of the ownership change with a corresponding reduction to the valuation allowance. This gross deferred tax liability will offset certain existing gross deferred tax assets (i.e. capitalized research expense). These decreases would have no impact on the Company's financial position, results of operations, or cash flows. However, these potential future tax benefits would no longer be available to the Company.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated 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 at the date of and during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to bad debts, inventories, intangible assets, equity investments, unbilled revenue, common stock warrants, income taxes and contingencies. We base our estimates and judgments on historical experience and on various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for 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 refer to the policies and estimates set forth in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as well as a discussion of Significant Accounting Policies included in Note 2, Basis of Presentation, of the unaudited condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

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.

	28	
--	----	--

Table of Contents

Item 3 Quantitative and Qualitative Disclosures about Market Risk

We invest our excess cash in government, government backed and interest-bearing investment-grade securities that we generally hold for the duration of the term of the respective instrument. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions in any material fashion. Accordingly, we believe that, while the investment-grade securities we hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

As of December 31, 2010, all of the Company's operations had been relocated to the United States. A portion of the Company's total financial performance for 2011 was attributable to activities related to the winding up of operations in both Canada and India. Our exposure to changes in foreign currency rates was primarily related to short-term inter-company transactions with our previous Canadian and Indian subsidiaries and from client receivables in different currencies. As exchange rates vary, the Company's results can be affected.

In addition, the Company may source inventory from worldwide locations. This practice can give rise to foreign exchange risk resulting from the varying cost of inventory to the receiving location as well as from the revaluation of intercompany balances. The Company mitigates this risk through local sourcing efforts.

Item 4 Controls and Procedures

(a) Evaluation of disclosure controls and procedures

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, our management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

(b) Changes in internal controls over financial reporting

As required by Rule 13a-15(d) under the Securities Exchange Act of 1934, our management, including the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have

materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.

	29	
--	-----------	--

Table of Contents

PART II. OTHER INFORMATION

Item 1 Legal Proceedings

None.

Item 1A - Risk Factors

Part II, Item 1A, Risk Factors of our most recently filed Annual Report on Form 10-K with the Securities and Exchange Commission (SEC), filed on March 30, 2012, sets forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition and operating results. Except to the extent that information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors (including, without limitation, the matters described in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations), there have been no material changes to our risk factors disclosed in our most recently filed Annual Report on Form 10-K. However, those risk factors continue to be relevant to an understanding of our business, financial condition and operating results and, accordingly, you should review and consider such risk factors in making any investment decision with respect to our securities.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

(a) During the three months ended June 30, 2012, we issued 87,788 shares of our common stock in connection with matching contributions under our 401(k) Savings & Retirement Plan. The issuance of these shares is exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

(b) Not applicable.

(c) None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

None.

Item 5 Other Information

(a) None.

(b) None.

	30	
--	-----------	--

Table of Contents

Item 6 Exhibits

3.1	Amended and Restated Certificate of Incorporation of Plug Power. (1)
3.1	Third Amended and Restated By-laws of Plug Power Inc. (2)
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Plug Power Inc. (1)
3.4	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of Plug Power Inc. classifying and designating the Series A Junior Participating Cumulative Preferred Stock. (3)
10.1	Executive Employment Agreement dated as of June 21, 2012, by and between Gerald A. Anderson and Plug Power Inc. (5)
32.1 and 32.2	Certifications pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)
101.INS*	XBRL Instance Document (5)
101.SCH*	XBRL Taxonomy Extension Schema Document (5)
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document (5)
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document (5)
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document (5)
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document (5)

- (1) Incorporated by reference to the Company's Form 10-K for the period ended December 31, 2008.
- (2) Incorporated by reference to the Company's current Report on Form 8-K dated October 28, 2009.
- (3) Incorporated by reference to the Company's Registration Statement on Form 8-A dated June 24, 2009.
- (4) Incorporated by reference to the Company's current Report on Form 8-K dated April 3, 2012.
- (5) Incorporated by reference to the Company's current Report on Form 8-K dated June 21, 2012.
- (6) Filed herewith

Edgar Filing: PLUG POWER INC - Form 10-Q

* Submitted electronically herewith. Attached as Exhibit 101 are the following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in eXtensible Business Reporting Language (XBRL) and tagged as blocks of text: (i) Condensed Consolidated Balance Sheets at June 30, 2012 and December 31, 2011; (ii) Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2012 and 2011; (iii) Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011; and (iv) related notes, tagged as blocks of text. Pursuant to Rule 406T of Regulation S-T this data is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

	31	
--	-----------	--

Table of Contents

Signatures

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PLUG POWER INC.

Date: August 14, 2012

By: /s/ Andrew Marsh
Andrew Marsh
President, Chief Executive Officer
and Director (Principal Executive
Officer)

Date: August 14, 2012

By: /s/ Gerald A. Anderson
Gerald A. Anderson
Chief Financial Officer (Principal
Financial Officer)