PLUG POWER INC
Form 10-Q
August 09, 2010

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

OR

o **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: 0-27527

PLUG POWER INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-3672377**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

968 ALBANY SHAKER ROAD, LATHAM, NEW YORK 12110

(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 x No o

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 o No o

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,” “non-accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o   Accelerated filer x   Non-accelerated filer o   Smaller reporting company o

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

The number of shares of common stock, par value of $.01 per share, outstanding as of August 4, 2010 was 131,506,467.

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PART 1. FINANCIAL INFORMATION

Item 1 – Interim Financial Statements (Unaudited)

Plug Power Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 3,789,314	$ 14,580,983
Trading securities - auction rate debt securities	22,607,210	53,397,179
Available-for-sale securities	32,009,015	47,959,920
Accounts receivable, less allowance of $10,160 in 2010 and $92,560 in 2009	3,075,523	2,004,670
Inventory	10,114,035	6,360,755
Auction rate debt securities repurchase agreement	2,842,790	5,977,822
Prepaid expenses and other current assets	1,382,191	3,217,446
Total current assets	75,820,078	133,498,775
Restricted cash	2,265,477	2,265,405
Property, plant and equipment, net	14,000,257	14,342,740
Investment in leased property, net	2,407,373	2,255,772
Intangible assets, net	10,709,642	11,821,830
Total assets	$ 105,202,827	$ 164,184,522
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,100,701	$ 2,877,270
Accrued expenses	9,111,173	5,847,541
Borrowings under line of credit	25,450,000	59,375,000
Current portion long term debt	379,471	413,708
Deferred revenue	4,434,371	4,596,717
Other current liabilities	339,109	379,584
Total current liabilities	42,814,825	73,489,820
Long term debt	981,908	1,150,408
Other liabilities	1,282,067	1,275,541
Total liabilities	45,078,800	75,915,769
Stockholders' equity:		
Common stock, $0.01 par value per share; 245,000,000 shares authorized;		
Issued (including shares in treasury):		
133,067,651 at June 30, 2010 and 130,591,236 at December 31, 2009	1,330,677	1,305,913
Additional paid-in capital	769,262,870	767,808,572

Accumulated other comprehensive income	695,632	803,209
Accumulated deficit	(709,445,642)	(680,370,937)
Less common stock in treasury:		
1,804,487 shares at June 30, 2010 and 986,199 shares at December 31, 2009	(1,709,510)	(1,278,004)
Total stockholders' equity	60,124,027	88,268,753
Total liabilities and stockholders' equity	$ 105,202,827	$ 164,184,522

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

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Product and service revenue	$ 2,325,769	$ 1,284,693	$ 5,488,946	$ 2,567,415
Research and development contract revenue	778,017	1,936,522	1,985,991	3,275,200
Total revenue	3,103,786	3,221,215	7,474,937	5,842,615
Cost of product and service revenue	4,542,373	1,748,268	7,830,226	2,231,783
Cost of research and development contract revenue	1,679,372	2,728,382	3,560,886	4,947,589
Research and development expense	4,381,814	3,957,569	9,868,531	8,422,531
Selling, general and administrative expenses	10,540,814	4,454,052	14,398,531	7,692,916
Amortization of intangible assets	566,880	525,154	1,129,055	1,031,352
Operating loss	(18,607,467)	(10,192,210)	(29,312,292)	(18,483,556)
Interest and other income	268,622	260,256	610,661	690,448
Change in fair value of auction rate securities repurchase agreement	(2,469,113)	(513,761)	(3,135,032)	(3,563,755)
Net trading gain	2,469,113	513,761	3,135,032	3,563,755
Interest and other expense	(177,110)	(317,554)	(373,074)	(613,849)
Net loss	$ (18,515,955)	$ (10,249,508)	$ (29,074,705)	$ (18,406,957)
Loss per share:				
Basic and diluted	$ (0.14)	$ (0.08)	$ (0.22)	$ (0.14)
Weighted average number of common shares outstanding	131,161,746	129,044,133	130,803,151	128,759,964

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

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Plug Power Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended June 30, 2010	2009
Cash Flows From Operating Activities:		
Net loss	$ (29,074,705)	$ (18,406,957)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,612,944	1,893,000
Amortization of intangible assets	1,129,055	1,031,352
Loss on disposal of property, plant and equipment	42,340	280,460
Stock-based compensation	892,410	1,160,818
Provision for bad debts	10,160	82,400
Net unrealized gains on trading securities	(3,135,032)	(3,563,755)
Change in fair value of auction rate debt securities repurchase agreement	3,135,032	3,563,755
Changes in assets and liabilities:		
Accounts receivable	(1,075,248)	778,995
Inventory	(3,751,612)	(483,724)
Prepaid expenses and other current assets	1,822,181	817,692
Accounts payable and accrued expenses	4,051,074	(6,859,269)
Deferred revenue	(162,346)	(1,590,640)
Net cash used in operating activities	(24,503,747)	(21,295,873)
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	(1,214,992)	(24,322)
Investment in leased property, net	(283,561)	(2,461,526)
Restricted cash	(72)	(1,763,716)
Proceeds from disposal of property, plant and equipment	35,000	-
Proceeds from trading securities	33,925,001	-
Proceeds from maturities and sales of available-for-sale securities	45,904,306	45,781,996
Purchases of available-for-sale securities	(30,011,638)	(76,878,488)
Net cash provided by (used in) investing activities	48,354,044	(35,346,056)
Cash Flows From Financing Activities:		
Purchase of treasury stock	(441,506)	(534,418)
Proceeds from stock option exercises and employee stock purchase plan	-	76,493
Repayment of borrowings under line of credit	(33,925,000)	-
Proceeds from long term debt	-	1,652,445
Principal payments on long-term debt	(207,751)	-

Repayment of government assistance	-	(194,245)
Net cash (used in) provided by financing activities	(34,574,257)	1,000,275
Effect of exchange rate changes on cash	(67,709)	(211,515)
Decrease in cash and cash equivalents	(10,791,669)	(55,853,169)
Cash and cash equivalents, beginning of period	14,580,983	80,844,500
Cash and cash equivalents, end of period	$ 3,789,314	$ 24,991,331

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

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Plug Power Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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. Plug Power has also provided product development for the back-up and stationary power markets world wide. Effective April 1, 2010, the Company is no longer considered a development stage enterprise since current principal operations have begun to provide more than insignificant revenues as the Company has received orders from repeat customers, increased its customer base and has a significant backlog as of June 30, 2010. Prior to April 1, 2010, the Company was considered a development stage enterprise because substantially all of our resources and efforts were aimed at the discovery of new knowledge that could lead to significant improvement in fuel cell reliability and durability, and the establishment, expansion and stability of markets for our products.

The Company is 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 offer our hydrogen fueled PEM GenDrive power unit for sale 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.

While we have invested in the development and sales activities for low-temperature remote-prime power GenSys products, we noted on our Form 8-K filed on May 27, 2010 with the Securities and Exchange Commission (SEC) that the Company has determined that it will not directly pursue opportunities related to its GenSys business and is actively looking at alternative options related to such business and its intellectual property.

Additionally in 2010, to the extent of existing purchase commitments, we continued to manufacture and support our GenCore® product, a hydrogen fueled PEM fuel cell system to provide back-up power for critical infrastructure.

The Company sells its products worldwide through our direct product sales force, original equipment manufacturers (OEMs) and their dealer networks. We sell to business, industrial and government customers.

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The Company was organized in the State of Delaware on June 27, 1997 and became listed on the NASDAQ exchange on October 29, 1999. The Company was originally formed as a joint venture between Edison Development Corporation and Mechanical Technology Incorporated. In 2007, the Company merged with and acquired all the assets, liabilities and equity of Cellex Power Products, Inc. (Cellex) and General Hydrogen Corporation (General Hydrogen).

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

Although the Company has a significant amount of available-for-sale securities, as described further below, as of June 30, 2010, neither the Company nor any of its subsidiaries was an “investment company” pursuant to the Investment Company Act of 1940, as amended.

Liquidity

Although the Company anticipates incurring substantial additional losses, we believe that our current cash, cash equivalents, trading securities and available-for-sale securities balances will provide sufficient liquidity to fund operations for at least the next twelve months including anticipated increased working capital needs. The Company’s cash requirements depend primarily on working capital needed to sustain rapid growth of our business as we expand market adoption of our products and continuing product development as we advance our product roadmap and release new products into the commercial marketplace. The Company expects to devote substantial capital resources to continuing to build a sales base, expanding market channels, servicing its installed base, hiring and training production staff, developing and better utilizing our manufacturing capacity and future product development. The Company expects to pursue the expansion of its operations through internal growth and strategic acquisitions and expects that such activities will be funded from existing cash, cash equivalents, trading securities, available-for-sale securities, and the issuance of additional equity or debt securities or additional borrowings subject to market and other conditions. The failure to raise the funds necessary to finance future cash requirements or consummate future acquisitions could adversely affect the Company’s ability to pursue its strategy and could negatively affect its operations in future periods.

Included in trading securities and working capital at June 30, 2010 and December 31, 2009, respectively, is $22.6 million and $53.4 million of auction rate debt securities. The auction rate debt securities are secured by student loans which are generally guaranteed by the Federal government. These auction rate debt securities are structured to be tendered at par, at the investor’s option, at auctions occurring every 27-30 days. However, due to the liquidity issues in the credit and capital markets, the market for auction rate debt securities began experiencing auction failures in February 2008 and there have been no successful auctions for the securities held in our portfolio since the failures began. We continue to receive interest on these securities, subject to an interest rate cap formula for each security as periodically adjusted in accordance with the respective securities’ agreement. At June 30, 2010, the interest rates ranged from 0% to 1.85% on the auction rate debt securities as compared to the interest rate range at December 31, 2009 which was from 0.61% to 3.48%.

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The Company has pledged these securities as collateral to a third-party lender for a Credit Line Agreement (See Note 10, Credit Line Agreement and Auction Rate Debt Securities Repurchase Agreement) entered into in December 2008. In December 2008, the Company entered into a Repurchase Agreement with a third-party lender such that the Company may require the third-party lender to repurchase the auction rate debt securities pledged as collateral for the Credit Line Agreement, at their par value, from June 30, 2010 through July 2, 2012 as full settlement for the advances on the Credit Line Agreement. The Company has elected to record the Repurchase Agreement at its fair value in accordance with Accounting Standard Codification No. 825-10-25 to allow consistent treatment of the agreement and the underlying collateral. At June 30, 2010 and December 31, 2009, the fair value of this item was approximately $2.8 million and $6.0 million, respectively, and was recorded as an asset on the condensed consolidated balance sheets. The change in the fair value of the Repurchase Agreement for the six months ended June 30, 2010 and June 30, 2009 was approximately $3.1 million and $3.6 million, respectively, and was recorded as a net realized loss on the condensed consolidated statements of operations.

Under Internal Revenue Code (IRC) Section 382, the use of loss carryforwards 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 5 percent shareholders a change of ownership has occurred under the provisions of IRC Section 382, the Company's net operating loss carryforwards could be subject to significant IRC Section 382 limitations and could no longer be available to the Company.

As a result of certain equity transactions that occurred during the fourth quarter of 2009, the Company began a formal IRC Section 382 study and completed the study in 2010. The Company believes we did not have a change of ownership, as defined by IRC Section 382, through the date of this report.

2. Basis of Presentation

Principles of Consolidation: The accompanying unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany 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 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, the financial position, results of operations and cash flows for all periods presented, have been made. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2009.

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The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2009 has been derived from the Company's December 31, 2009 audited consolidated financial statements. All other information has been derived from the Company's unaudited condensed consolidated financial statements for the periods as of and ending June 30, 2010 and 2009.

Use of Estimates: The unaudited condensed interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles, 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 for potential recognition or disclosure in the financial statements. No recognized or non-recognized subsequent events were noted.

Recent Accounting Pronouncements: The Company adopted the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) No. 860, Transfers and Servicing and Accounting Standards Update (ASU) No. 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets on January 1, 2010. This standard requires entities to provide more information about sales of securitized financial assets and similar transactions, particularly if the seller retains some risk with respect to the assets. This ASU limits the circumstances in which a financial asset may be de-recognized when the transferor has not transferred the entire financial asset or has continuing involvement with the transferred asset. The concept of a qualifying special-purpose entity, which had previously facilitated sale accounting for certain asset transfers, is removed by the new requirement. Also, this ASU revises how retained interests are initially measured and removes the guaranteed mortgage securitization recharacterization provisions. The adoption did not have a material effect on its condensed consolidated financial position, condensed consolidated results of operations, and liquidity.

The Company adopted ASC No. 810, Consolidation, ASU No. 2009-17, Consolidation (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities and ASU No. 2010-10, Consolidation (Topic 810): Amendments for Certain Investment Funds on January 1, 2010. This standard and ASU amends certain requirements to improve financial reporting by companies involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. The adoption did not have a material effect on its condensed consolidated financial position, condensed consolidated results of operations, and liquidity.

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In October 2009, the FASB issued ASU No. 2009-13 on Topic 605, Revenue Recognition– Multiple Deliverable Revenue Arrangements. The objective of this ASU is to address the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Vendors often provide multiple products or services to their customers. Those deliverables often are provided at different points in time or over different time periods. This ASU provides amendments to the criteria in Subtopic 605-25 for separating consideration in multiple-deliverable arrangements. The amendments in this ASU establish a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence (VSOE) if available, third-party evidence (TPE) if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available. The amendments in this ASU also will replace the term fair value in the revenue allocation guidance with selling price to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant and expands the disclosure requirements related to a vendor's multiple-deliverable revenue arrangements. This ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company adopted the provisions of this ASU during the second quarter of 2010 retroactive to January 1, 2010. The impact of this new accounting update on its condensed consolidated financial position, condensed consolidated results of operations, and liquidity is presented in Note 14.

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures About Fair Value Measurements. This ASU adds disclosure requirements about transfers into and out of Levels 1, 2, and 3, clarifies existing fair value disclosure requirements about the appropriate level of disaggregation, and clarifies that a description of the valuation technique (e.g., market approach, income approach, or cost approach) and inputs used to measure fair value is required for recurring, nonrecurring, and Level 2 and 3 fair value measurements. These provisions were adopted by the Company during the reporting period ending March 31, 2010. As this ASU amends only the disclosure requirements for fair value measurements, the adoption did not impact its condensed consolidated financial position, condensed consolidated results of operations, or liquidity. The ASU also requires that Level 3 activity about purchases, sales, issuances, and settlements be presented on a gross basis rather than as a net number as currently required. This provision is effective for the Company's reporting period ending March 31, 2011. As this ASU amends only the disclosure requirements for fair value measurements, the adoption will have no impact on its condensed consolidated financial position, condensed consolidated results of operations, and liquidity.

In February 2010, the FASB issued ASU No. 2010-09, Subsequent Events - Amendments to Certain Recognition and Disclosure Requirements. This ASU provides guidance related to events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This ASU guidance amends existing standards to address potential conflicts with the Securities and Exchange Commission (SEC) guidance and refines the scope of the reissuance disclosure requirements to include revised financial statements only. Under this guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated. These provisions were adopted by the Company during the reporting period ending March 31, 2010. As this ASU amends only the disclosure requirements for subsequent events, the adoption did not impact its condensed consolidated financial position, condensed consolidated results of operations, and liquidity. See "Subsequent Events" above in this Note 2.

In April 2010, the FASB issued ASU No. 2010-17, Revenue Recognition – Milestone Method (Topic 605). This ASU provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This ASU is effective prospectively for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The Company is currently evaluating the impact, if any, of this new accounting update on its condensed consolidated financial position, condensed consolidated results of operations, and liquidity.

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3. Fair Value Measurements

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.

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.

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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. Nevertheless, certain assets are not actively traded in observable markets and the Company must use alternative valuation techniques to derive a fair value measurement.

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

Basis of Fair Value Measurements

Balance at June 30, 2010	**Total**	**Quoted Prices in Active Markets for Identical Items (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Trading securities – auction rate debt securities	$ 22,607,210	$ —	$ —	$ 22,607,210
Available-for-sale securities	$ 32,009,015	$ 32,009,015	$ —	$ —
Auction rate debt securities repurchase agreement	$ 2,842,790	$ —	$ —	$ 2,842,790

Balance at December 31, 2009	**Total**	**Quoted Prices in Active Markets for Identical Items (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Trading securities – auction rate debt securities	$ 53,397,179	$ —	$ —	$ 53,397,179
Available-for-sale securities	$ 47,959,920	$ 47,959,920	$ —	$ —
Auction rate debt securities repurchase agreement	$ 5,977,822	$ —	$ —	$ 5,977,822

The following tables show reconciliations of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (i.e. Level 3) for the six months ended June 30, 2010:

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Trading Securities - Auction Rate Debt Securities	Fair Value Measurements Using Significant Unobservable Inputs
Beginning of period	$ 53,397,179
Sale of trading securities for the six months ended June 30, 2010	(33,925,001)
Net unrealized gains on trading securities for the six months ended June 30, 2010	3,135,032
Fair value of trading securities - auction rate debt securities at June 30, 2010	$ 22,607,210

Auction Rate Debt Securities Repurchase Agreement	Fair Value Measurements Using Significant Unobservable Inputs
Beginning of period	$ 5,977,822
Change in fair value of auction rate debt securities repurchase agreement for the six months ended June 30, 2010	(3,135,032)
Fair value of auction rate debt securities repurchase agreement at June 30, 2010	$ 2,842,790

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

Available-for-sale securities: For our level 1 securities, which represent Federal treasury securities, fair value is based on quoted market prices.

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Trading securities – auction rate debt securities and auction rate debt securities repurchase agreement: The securities valued using unobservable inputs were the auction rate debt securities and auction rate debt securities repurchase agreement as the financial and capital markets have experienced significant dislocation and illiquidity in regard to these types of instruments and there is currently no secondary market for these types of securities. There have been no successful auctions since early 2008. The valuation of these auction rate debt securities and auction rate debt securities repurchase agreement is an estimate based upon factors specific to these securities, including duration, tax status (taxable or tax-exempt), credit quality, the existence of insurance wraps, and the composition of the underlying student loans (Federal Family Education Loan Program or private loans). Assumptions were made about future cash flows based upon interest rate formulas as described above. Also, the valuation included estimates of market data including yields or spreads of similar trading instruments, when available, or assumptions believed to be reasonable for non-observable inputs such as likelihood of redemption. Actual transactions involving these securities and/or future valuations could differ from the estimated fair value of these securities at June 30, 2010.

4. Earnings Per Share

The Company reports net loss per basic and diluted common share in accordance with the provisions of FASB ASC No. 260, Earnings Per Share (ASC 206), which establishes standards for computing and presenting loss 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 convertible preferred stock, 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, 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 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:

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Numerator:				
Net loss	$ (18,515,955)	$ (10,249,508)	$ (29,074,705)	$ (18,406,957)
Denominator:				
Weighted average number of common shares	131,161,746	129,044,133	130,803,151	128,759,964

The dilutive potential common shares are summarized as follows:

	At June 30, 2010	2009
Stock options outstanding	5,644,192	6,974,933
Unvested restricted stock	5,543,697	15,000
Warrants (1)	571,429	571,429
Number of dilutive potential common shares	11,759,318	7,561,362

(1) The warrants were granted to the shareholders of General Hydrogen as part of the acquisition of that company.

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5. 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, 2010 are as follows:

Weighted Average Amortization Period	**Gross Carrying Amount**	**Accumulated Amortization**	**Effect of Foreign**