PLUG POWER INC
Form 10-Q
August 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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)	**22-3672377** (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 ý 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 ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non -accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ý 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 ý

The number of shares of common stock, par value of $.01 per share, outstanding as of August 7, 2014 was 167,345,074.

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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, 2014		December 31, 2013
Assets				
Current assets:				
Cash and cash equivalents	$	168,608,852	$	5,026,523
Accounts receivable, net		16,461,076		6,429,400
Inventory		19,762,953		10,406,320
Prepaid expenses and other current assets		5,092,451		1,850,859
Total current assets		209,925,332		23,713,102
Restricted cash		500,000		500,000
Property, plant, and equipment, net		5,284,715		5,277,667
Leased property under capital lease, net		2,195,069		2,453,312
Note receivable		478,903		509,945
Intangible assets, net		2,707,207		2,901,595
Other assets		16,779		-
Total assets	$	221,108,005	$	35,355,621
Liabilities, Redeemable Preferred Stock, and Stockholders Equity (Deficit)				
Current liabilities:				
Accounts payable	$	9,302,961	$	3,094,385
Accrued expenses		2,790,785		3,068,774
Product warranty reserve		1,426,530		1,608,131
Deferred revenue		4,439,673		3,434,735
Obligations under capital lease		754,197		717,870
Other current liabilities		776,847		679,176
Total current liabilities		19,490,993		12,603,071
Obligations under capital lease		200,475		586,879
Deferred revenue		8,370,045		5,579,281
Common stock warrant liability		16,129,113		28,829,849
Finance obligation		2,460,085		2,492,330
Other liabilities		1,201,656		765,281
Total liabilities		47,852,367		50,856,691
Redeemable Preferred Stock				

Series C redeemable convertible preferred stock, $0.01 par value per share				
(aggregate involuntary liquidation preference $51,788,319) 10,431 shares authorized;				
Issued and outstanding: 10,431 at June 30, 2014 and December 31, 2013		2,371,080		2,371,080
Stockholders equity (deficit):				
Common stock, $0.01 par value per share; 245,000,000 shares authorized;				
Issued (including shares in treasury):				
167,434,369 at June 30, 2014 and 106,356,558 at December 31, 2013		1,674,344		1,063,566
Additional paid-in capital		1,091,955,245		831,155,925
Accumulated other comprehensive income		897,807		897,807
Accumulated deficit		(921,521,026)		(849,437,066)
Less common stock in treasury:				
282,331 shares at June 30, 2014 and 165,906 at December 31, 2013		(2,121,812)		(1,552,382)
Total stockholders equity (deficit)		170,884,558		(17,872,150)
Total liabilities, redeemable preferred stock, and stockholders equity (deficit)	$	221,108,005	$	35,355,621

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

Plug Power Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Product revenue	$12,578,841	$ 5,580,445	$ 15,741,168	$ 10,251,782
Service revenue	4,414,858	1,549,321	6,480,573	2,922,673
Research and development contract revenue	327,543	367,508	673,942	767,926
Total revenue	17,321,242	7,497,274	22,895,683	13,942,381
Cost of product revenue	10,447,385	5,340,897	13,892,349	10,429,745
Cost of service revenue	5,907,774	3,632,411	9,926,156	6,541,755
Cost of research and development contract revenue	770,109	532,779	1,188,026	1,152,875
Research and development expense	1,398,231	823,581	2,651,627	1,574,065
Selling, general and administrative expenses	4,831,355	3,215,425	8,083,364	6,096,700
Amortization of intangible assets	608,444	568,291	1,174,388	1,142,021
Operating loss	(6,642,056)	(6,616,110)	(14,020,227)	(12,994,780)
Interest and other income	48,770	40,869	93,779	57,081
Gain on bargain purchase	1,014,256	-	1,014,256	-
Change in fair value of common stock warrant liability	9,577,126	(5,833,318)	(58,856,342)	(7,964,632)
Interest and other expense	(121,139)	(146,922)	(211,608)	(229,529)
Gain on sale of equity interest in joint venture	-	3,234,717	-	3,234,717
Net income (loss) attributable to the Company	$3,876,957	$ (9,320,764)	$ (71,980,142)	$ (17,897,143)
Preferred stock dividends declared	(51,909)	(17,303)	(103,818)	(17,303)
Net income (loss) attributable to common shareholders	$3,825,048	$ (9,338,067)	$ (72,083,960)	$ (17,914,446)
Net income (loss) per share:				
Basic	$0.02	$ (0.14)	$ (0.49)	$ (0.31)
Diluted	$0.02	$ (0.14)	$ (0.49)	$ (0.31)
Basic weighted average number of common shares outstanding	159,916,449	68,662,067	146,905,767	58,669,943
Diluted weighted average number of common shares outstanding	176,157,179	68,662,067	146,905,767	58,669,943

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

Plug Power Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

		Three Months Ended June 30,				Six Months Ended June 30,		
		2014		2013		2014		2013
Net income (loss) attributable to the Company	$	3,876,957	$	(9,320,764)	$	(71,980,142)	$	(17,897,143)
Other comprehensive loss:								
Foreign currency translation loss		-		(43,441)		-		(82,096)
Comprehensive income (loss)	$	3,876,957	$	(9,364,205)	$	(71,980,142)	$	(17,979,239)

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

Plug Power Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended June 30, 2014	2013
Cash Flows From Operating Activities:		
Net loss attributable to the Company	$ (71,980,142)	$ (17,897,143)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment, and investment in leased property	938,900	944,527
Amortization of intangible assets	1,174,388	1,142,021
Stock-based compensation	1,254,727	1,019,958
Gain on sale of equity interest in joint venture	-	(3,234,717)
Gain on bargain purchase	(1,014,256)	-
Gain on disposal of property, plant and equipment	(27,300)	(55,768)
Change in fair value of common stock warrant liability	58,856,342	7,964,632
Changes in operating assets and liabilities that provide (use) cash, net of effects of acquisition:		
Accounts receivable	(9,715,703)	(327,295)
Inventory	(4,195,410)	(44,849)
Prepaid expenses and other current assets	(3,169,477)	36,393
Note receivable	31,042	30,156
Accounts payable, accrued expenses, product warranty reserve and other liabilities	4,187,971	(2,425,008)
Deferred revenue	3,725,169	1,914,096
Net cash used in operating activities	(19,933,749)	(10,932,997)
Cash Flows From Investing Activities:		
Proceeds from sale of equity interest in joint venture	-	3,234,717
Purchase of property, plant and equipment	(524,715)	(70,932)
Purchase of ReliOn, net of cash acquired	414,000	-
Proceeds from disposal of property, plant and equipment	27,300	56,700
Net cash (used in) provided by investing activities	(83,415)	3,220,485
Cash Flows From Financing Activities:		
Restricted cash	-	(750,000)
Proceeds from exercise of warrants	18,317,284	2,849,460
Purchase of treasury stock	(63,846)	-
Proceeds from issuance of preferred stock	-	2,595,400
Preferred stock issuance costs	-	(144,321)
Proceeds from issuance of common stock and warrants	176,700,005	3,257,117
Common stock issuance costs	(10,977,387)	(943,557)
Repayment of borrowings under line of credit	-	(3,380,835)
Proceeds from finance obligation	-	2,600,000

Principal payments on obligations under capital lease and finance obligation	(378,937)	(338,179)
Net cash provided by financing activities	183,597,119	5,745,085
Effect of exchange rate changes on cash	2,374	(1,684)
Increase (decrease) in cash and cash equivalents	163,582,329	(1,969,111)
Cash and cash equivalents, beginning of period	5,026,523	9,380,059
Cash and cash equivalents, end of period	$ 168,608,852	$ 7,410,948

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

1. Nature of Operations

Description of Business

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

We sell and continue to develop fuel cell product solutions to replace lead-acid batteries in material handling vehicles and industrial trucks for some of North America s largest distribution and manufacturing businesses. We are focusing our efforts on material handling applications (forklifts) at multi-shift high volume manufacturing and high throughput distribution sites where our products and services provide a unique combination of productivity, flexibility and environmental benefits. Our current product line includes: GenDrive, a hydrogen fueled PEM fuel cell system providing power to material handling vehicles; GenKey, our turn-key solution offering complete simplicity to customers transitioning their material handling vehicles to fuel cell power; GenFuel, our hydrogen fueling delivery system; and GenCare, our ongoing maintenance program for both the GenDrive fuel cells and GenFuel products.

We sell our products worldwide, with a primary focus on North America, through our direct product sales force, leveraging relationships with original equipment manufacturers, or OEMs, and their dealer networks. We are party to a joint venture based in France with Axane, S.A. under the name HyPulsion, S.A.S., to develop and sell hydrogen fuel cell systems for the European material handling market. We sell to businesses, government agencies and commercial consumers.

On April 2, 2014, we acquired substantially all of the assets of ReliOn, a developer of hydrogen fuel cell stack technology based in Spokane, Washington. As consideration for the acquisition, we issued 530,504 shares of our common stock and assumed certain specified liabilities of ReliOn. The shares were valued at $4,000,000 based on the $7.54 closing sale price of our common stock on the Nasdaq Capital Market on April 1, 2014.

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

Liquidity

Our cash requirements relate primarily to working capital needed to operate and grow our business, including funding operating expenses, growth in inventory to support both shipments of new units and servicing the installed base, funding the growth in our GenKey turn-key solution which also includes the installation of our customer s hydrogen infrastructure as well as delivery of the hydrogen molecule, 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. If we are unable to fund our operations, we may be required to delay, reduce and/or cease our operations and/or seek bankruptcy protection.

We have experienced and continue to experience negative cash flows from operations and net losses attributable to common shareholders. We incurred a net loss attributable to common shareholders of $72.1 million for the six months ended June 30, 2014, and net losses attributable to common shareholders of $62.8 million, $31.9 million and $27.5 million for the years ended December 31, 2013, 2012 and 2011, respectively, and we have an accumulated deficit of $921.8 million at June 30, 2014. Substantially all of our accumulated deficit has been incurred in connection with our operating expenses, research and development expenses, and from general and administrative costs associated with our operations.

Net cash used in operating activities for the six months ended June 30, 2014 was $19.9 million. Additionally, on June 30, 2014, we had cash and cash equivalents of $168.6 million and net working capital of $190.4 million. This compares to $5.0 million and $11.1 million, respectively, at December 31, 2013.

On January 15, 2014 we completed an underwritten public offering of 10,000,000 shares of common stock and accompanying warrants to purchase 4,000,000 shares of common stock. The shares and the warrants were sold together in a fixed combination, with each combination consisting of one share of common stock and 0.40 of a warrant to purchase one share of common stock, at a price of $3.00 per fixed combination for gross proceeds of $30.0 million. The securities were placed with a single institutional investor. The warrants have an exercise price of $4.00 per share, are immediately exercisable and will expire on January 15, 2019. The total net proceeds to Plug Power from the January 2014 public offering were $27,970,256.

On March 11, 2014, we completed an underwritten public offering of 3,902,440 shares of common stock. The shares were sold at $5.74 per share for gross proceeds of approximately $22.4 million. The shares were placed with a single institutional investor. The total net proceeds to Plug Power from the March 2014 public offering were $21,308,987.

On April 30, 2014, we completed an underwritten public offering of 22,600,000 shares of common stock. The shares were sold at $5.50 per share for gross proceeds of approximately $124.3 million. The total net proceeds to Plug Power from the April 2014 public offering were $116,443,375.

To date, we have funded our operations primarily through public and private offerings of common and preferred stock, a sale-leaseback of our building, our previous line of credit and maturities and sales of our available-for-sale securities. The Company believes that its current cash, cash equivalents, cash generated from future sales, cash generated from the exercise of outstanding warrants, and cash generated from recent public offerings will provide sufficient liquidity to fund operations for at least the next twelve months. This projection is based on our current expectations regarding product sales, cost structure, cash burn rate and operating assumptions.

2. Basis of Presentation

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

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

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K, as amended by the Company s Annual Report on Form 10-K/A, filed for the fiscal year ended December 31, 2013.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2013 has been derived from the Company s December 31, 2013 audited consolidated financial statements. All other information has been derived from the Company s unaudited condensed consolidated financial statements as of June 30, 2014 and for the three and six months ended June 30, 2014 and 2013.

Use of Management Estimates: The unaudited condensed interim consolidated financial statements have been prepared in conformity with GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Accounting Policies:

Revenue Recognition

The Company recognizes revenue under arrangements for products and services, which may include the sale of products (GenDrive units) and related services, including revenue from installation, service and maintenance, spare parts, hydrogen fueling services, which may include hydrogen supply as well as hydrogen fueling infrastructure, and leased units. The Company also recognizes revenue under research and development contracts, which are primarily cost reimbursement contracts associated with the development of PEM fuel cell technology.

The Company enters into revenue arrangements that may contain a combination of fuel cell systems and equipment, which may be sold, or under a limited number of arrangements leased to customers, installation, service, maintenance, spare parts, hydrogen fueling and other support services. For these multiple deliverable arrangements, the Company accounts for each separate deliverable as a separate unit of accounting if the delivered item or items have value to the customer on a standalone basis. The Company considers a deliverable to have standalone value if the item is sold separately by us or another entity or if the item could be resold by the customer. The Company allocates revenue to each separate deliverable based on its relative selling price. When determining the relative selling price, the Company utilizes its best estimate of the selling price as vendor-specific objective evidence and third-party evidence is generally not available for the deliverables involved in our revenue arrangements due to a lack of a competitive environment in selling fuel cell technology. For a majority of our deliverables, the Company determines relative selling prices using its best estimate of the selling price as vendor-specific objective evidence and third-party evidence is generally not available for the deliverables involved in its revenue arrangements due to a lack of a competitive environment in selling fuel cell technology. When determining estimated selling prices, 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 determines estimated selling prices for deliverables in its agreements based on the specific facts and circumstances of each arrangement and analyzes the estimated selling prices used for its allocation of arrangement consideration at least annually. 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.

Once relative selling prices are determined, the Company proportionately allocates the sale consideration to each element of the arrangement. The allocated sales consideration related to fuel cell systems and equipment, spare parts, and hydrogen is recognized as revenue at shipment if title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the related receivable is reasonably assured, and customer acceptance criteria, if any, have been successfully demonstrated. The allocated sales consideration related to installation, service, maintenance, and hydrogen delivery infrastructure is generally recognized as revenue when completed or on a straight-line basis over the term of the contract, as appropriate.

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In the case of consignment sales, the Company does not begin recognizing revenue until the customer has accepted the product, at which time the risks and rewards of ownership have transferred, the price is fixed, and the Company has a reasonable expectation of collection upon billing.

The Company does not include a right of return on its products other than rights related to warranty provisions that permit repair or replacement of defective goods. The Company accrues for anticipated warranty costs at the same time that revenue is recognized for the related product.

The Company has also sold extended warranty contracts that generally provide for a five to ten year warranty from the date of product installation. These types of contacts are accounted for as a separate deliverable, and accordingly, revenue generated from these transactions is deferred and recognized in income over the warranty period, generally on a straight-line basis. Additionally, the Company may enter into annual service and maintenance contracts that are billed monthly. Revenue generated from these transactions is recognized in income on a straight-line basis over the term of the contract.

At June 30, 2014 and December 31, 2013, the Company had unbilled amounts from product and service revenues in the amount of approximately $357,000 and $184,000, respectively, which is included in other current assets in the accompanying condensed consolidated balance sheets. At June 30, 2014 and December 31, 2013, the Company had deferred product and service revenues in the amount of $12.8 million and $9.0 million, respectively.

Common Stock Warrant Accounting

The Company accounts for common stock warrants in accordance with applicable accounting guidance provided in Accounting Standards Codification (ASC) Subtopic 815-40, *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 accompanying consolidated balance sheets as a long-term liability, which is revalued at each balance sheet date subsequent to the initial issuance using the Black-Scholes pricing model. 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. Changes in the fair value of the warrants are reflected in the accompanying consolidated statements of operations as change in fair value of common stock warrant liability.

Joint Venture

The Company accounts for investments in joint ventures in which we have significant influence in accordance with applicable accounting guidance in ASC 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, S.A.S. (HyPulsion or 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 has made additional fixed cash contributions in 2013 and 2014 in exchange for an initial 55% ownership of the JV, subject to certain conditions. We have not contributed any cash to the JV and we are not obligated to contribute any cash. We contributed to the JV the right to use our technology, including design and technology know-how on GenDrive systems, in exchange for an initial 45% ownership of the JV.

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

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The Company and the JV have also entered into an engineering service agreement under which, among other things, the Company provides the JV with engineering and technical services. The JV made payments to the Company of $1,429,374 and $8,465,985 for the six months ended June 30, 2014 and June 30, 2013, respectively, for engineering and technical services, as well as for the purchase of fuel cell systems and parts.

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, 2014, the Company had a zero basis for its investment in the JV.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Cash Equivalents

Cash equivalents consist of money market accounts with an initial term of less than three months. For purposes of the consolidated statements of cash flows, the Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents. The Company's cash and cash equivalents are deposited with financial institutions located in the U.S. and may at times exceed insured limits.

3. Acquisition of ReliOn, Inc.

On April 2, 2014, the Company completed the acquisition of ReliOn, Inc. (ReliOn) for an aggregate purchase price of $4,000,000. The Company acquired substantially all of the assets of ReliOn, including patents, technology and other intangible assets, equipment and other tangible assets. ReliOn is a developer of hydrogen fuel cell stack technology based in Spokane, Washington. As consideration, the Company issued 530,504 shares of our common stock, and assumed certain specified liabilities of ReliOn. The total purchase price of $4,000,000 is based on the issuance of 530,504 shares of Plug Power common stock at the closing price of the Company s stock on April 1, 2014 of $7.54.

The following table summarizes the preliminary allocation of the purchase price to the estimated fair value of the net assets acquired:

Cash and cash equivalents	$ 414,000
Accounts receivable	315,975

Inventory		5,161,223
Prepaid expenses and other assets		88,894
Property and equipment		162,990
Identifiable intangibles		980,000
Accounts payable and accrued expenses		(1,682,782)
Note payable		(426,044)
Total Net Assets Acquired	$	5,014,256
Gain on bargain purchase		(1,014,256)
Acquisition consideration	$	4,000,000

The fair value of the acquired net assets exceeded the purchase consideration, and therefore a gain on bargain purchase of $1,014,256 was recognized during the quarter ended June 30, 2014.

The results of operations of ReliOn are consolidated in the Company s results of operations beginning on the acquisition date of April 2, 2014. The following unaudited pro forma financial information for the quarter ended June 30, 2013 and the six months ended June 30, 2014 and 2013 present the consolidated operations data of the Company as if the ReliOn acquisition had been made on January 1, 2013. The unaudited pro forma financial information is provided for informational purposes only and does not project the Company s results of operations for any future period.

	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue	$ 8,183,846	$ 24,027,293	$ 15,624,291
Net loss attributable to the Company	(11,100,180)	(73,432,552)	(21,386,997)
Basic and diluted loss per share	$ (0.16)	$ (0.50)	$ (0.36)

4. Inventory

Inventory as of June 30, 2014 and December 31, 2013 consisted of the following:

	June 30, 2014	December 31, 2013
Raw materials and supplies	$ 17,857,629	$ 8,881,596
Work-in-process	230,124	219,327
Finished goods	1,675,200	1,305,397
	$ 19,762,953	$ 10,406,320

5. Stockholders Equity

Changes in stockholders equity for the six months ended June 30, 2014 are as follows:

	Common Stock		Additional Paid-	Accumulated Other Comprehensive	Treasury Stock		Accumulated	Total Stockholders' (Deficit)
	Shares	Amount	in-Capital	Income	Shares	Amount	Deficit	Equity
December 31, 2013	106,356,558	$ 1,063,566	$ 831,155,925	$ 897,807	165,906	$ (1,552,382)	$ (849,437,066)	$ (17,872,150)
Net loss attributable to the Company	-	-	-	-	-	-	(71,980,142)	(71,980,142)
Stock based compensation	88,985	891	1,202,826	-	-	-	-	1,203,717
Public offerings, common stock, net (1)	36,502,440	365,024	153,584,354	-	-	-	-	153,949,378
Exercise of warrants (2)	23,893,429	238,934	101,409,531	-	86,391	(340,381)	-	101,308,084
Stock dividend	20,244	202	103,616	-	-	-	(103,818)	-
Shares issued for acquisition	530,504	5,305	3,994,695	-	-	-	-	4,000,000
Stock option exercises	42,209	422	504,298	-	30,034	(229,049)	-	275,671
June 30, 2014	167,434,369	$ 1,674,344	$ 1,091,955,245	$ 897,807	282,331	$ (2,121,812)	$ (921,521,026)	$ 170,884,558

(1)