PLUG POWER INC
Form 10-Q
May 07, 2009
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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 MARCH 31, 2009

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 Sections 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 May 1, 2009 was 129,896,882.

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PLUG POWER INC.

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PART II. OTHER INFORMATION

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Plug Power Inc. and Subsidiaries

(A Development Stage Enterprise)

Condensed Consolidated Balance Sheets

(Unaudited)

	March 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 15,997,671	$ 80,844,500
Trading securities - auction rate debt securities	55,700,648	52,650,654
Available-for-sale securities	72,717,155	23,843,950
Accounts receivable, less allowance of $70,497 in 2009 and $75,148 in 2008	1,677,353	2,151,121
Inventory	6,843,369	6,264,372
Prepaid expenses and other current assets	1,581,775	2,350,738
Total current assets	154,517,971	168,105,335
Restricted Cash	1,776,965	-
Property, plant and equipment, net	16,798,309	17,769,974
Investment in leased property	2,461,526	-
Auction rate debt securities repurchase agreement	7,174,352	10,224,346
Intangible assets, net	12,179,936	12,843,182
Other assets	201,242	169,130
Total assets	$ 195,110,301	$ 209,111,967
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 1,568,865	$ 3,274,972
Accrued expenses	4,199,496	9,945,316
Borrowings under line of credit	62,875,000	62,875,000
Current portion long term debt	284,638	-
Deferred revenue	4,547,661	5,425,270
Other current liabilities	363,305	413,837
Total current liabilities	73,838,965	81,934,395
Repayable government assistance	199,877	173,138
Long term debt	1,367,807	-
Other liabilities	1,108,822	1,140,312
Total liabilities	76,515,471	83,247,845
Stockholders equity:		
Common stock, $0.01 par value per share; 245,000,000 shares authorized;		
Issued (including shares in treasury):		
129,855,562 at March 31, 2009 and 128,164,003 at December 31, 2008	1,298,556	1,281,640

Additional paid-in capital	766,983,337	765,347,706
Accumulated other comprehensive loss	(620,835)	(359,253)
Deficit accumulated during the development stage	(647,819,834)	(639,662,385)
Less common stock in treasury:		
954,667 shares at March 31, 2009 and 402,114 shares at December 31, 2008	(1,246,394)	(743,586)
Total stockholders equity	118,594,830	125,864,122
Total liabilities and stockholders equity	$ 195,110,301	$ 209,111,967

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

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Plug Power Inc. and Subsidiaries

(A Development Stage Enterprise)

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended March 31, 2009	2008	Cumulative Amounts from Inception
Product and service revenue	$ 1,282,722	$ 850,334	$ 41,391,898
Research and development contract revenue	1,338,678	2,886,552	90,039,933
Total revenue	2,621,400	3,736,886	131,431,831
Cost of product and service revenue	483,515	1,637,848	55,454,958
Cost of research and development contract revenue	2,219,207	4,973,808	131,558,618
In-process research and development	-	-	12,026,640
Research and development expense	4,464,962	10,036,495	409,948,221
Selling, general and administrative expenses	3,238,864	6,460,787	131,670,055
Goodwill impairment	-	-	45,842,656
Amortization of intangible assets	506,198	575,002	19,469,756
Operating loss	(8,291,346)	(19,947,054)	(674,539,073)
Interest and other income and net realized gains (losses) from available-for-sale securities	430,192	2,120,925	47,922,076

Change in fair value of auction rate securities repurchase agreement		(3,049,994)	-	7,174,352
Net unrealized gains (losses) on trading securities		3,049,994	-	3,049,994
Impairment loss on available-for-sale securities		-	(2,794,646)	(10,224,346)
Interest and other expense		(296,295)	(106,911)	(2,625,087)
Loss before equity in losses of affiliates		(8,157,449)	(20,727,686)	(629,242,084)
Equity in losses of affiliates		-	-	(18,577,750)
Net loss	$	(8,157,449)	$ (20,727,686)	$ (647,819,834)
Loss per share:				
Basic and diluted	$	(0.06)	$ (0.24)	
Weighted average number of common shares outstanding		128,472,637	88,071,196	

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

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Plug Power Inc. and Subsidiaries

(A Development Stage Enterprise)

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended March 31, 2009	2008	Cumulative Amounts from Inception
Cash Flows From Operating Activities:			
Net loss	$ (8,157,449)	$ (20,727,686)	$ (647,819,834)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	932,790	1,061,087	39,361,512
Equity in losses of affiliates	-	-	18,577,750
Amortization of intangible asset	506,198	575,002	19,469,756
Noncash prepaid development costs	-	-	10,000,000
Loss on disposal of property, plant and equipment	-	-	37,213
In-kind services	-	-	1,340,000
Stock-based compensation	469,122	1,219,825	43,777,553
Provision for bad debts	70,497	-	238,315
Amortization of deferred grant revenue	-	-	(1,000,000)
Amortization and write-off of deferred rent	-	-	2,000,000
Goodwill impairment charge	-	-	45,842,656
Impairment loss on available-for-sale securities	-	2,794,646	10,224,346
Net unrealized (gains) losses on trading securities	(3,049,994)	-	(3,049,994)
Change in fair value of auction rate debt securities repurchase agreement	3,049,994	-	(7,174,352)
Gain on termination of repayable government assistance	-	-	(1,232,522)
In-process research and development	-	-	7,042,640
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	399,822	240,714	(765,688)
Inventory	(578,997)	(806,843)	(5,648,634)
Prepaid expenses and other current assets	731,062	1,005,107	(2,573,302)
Accounts payable and accrued expenses	(6,302,853)	(1,231,770)	(1,263,833)
Deferred revenue	(877,475)	377,203	5,549,433
Net cash used in operating activities	(12,807,283)	(15,492,715)	(467,066,985)
Cash Flows From Investing Activities:			
Cash paid for acquisitions, net	-	-	(19,267,125)
Purchase of property, plant and equipment	(14,809)	(570,153)	(38,357,030)
Investment in leased property	(2,461,526)	-	(2,461,526)
Restricted cash	(1,776,965)	-	(1,776,965)
Proceeds from disposal of property, plant and equipment	-	-	344,216
Purchase of intangible asset	-	-	(9,624,500)
Investment in affiliate	-	-	(1,500,000)
Proceeds from maturities and sales of available-for-sale securities	22,942,507	122,998,448	2,619,141,965
Purchases of available-for-sale securities	(71,880,092)	(67,261,648)	(2,754,571,396)
Net cash (used in) provided by investing activities	(53,190,885)	55,166,647	(208,072,361)
Cash Flows From Financing Activities:			
Proceeds from issuance of common and preferred stock	-	-	428,529,602
Proceeds from initial public offering, net	-	-	201,911,705
Stock issuance costs	-	-	(5,548,027)

Purchase of treasury stock	(502,808)	(45,838)	(1,121,450)
Proceeds from stock option exercises and employee stock purchase plan	38,471	128,162	11,483,696
Cash released from escrow	-	-	-
Repayment of loans due to General Hydrogen Shareholders	-	-	(400,000)
Proceeds from borrowings under line of credit	-		62,875,000
Proceeds from long term debt	1,652,445	-	1,652,445
Repayment of government assistance	-	-	(2,235,244)
Principal payments on long-term debt and capital lease obligations	-	-	(6,786,687)
Net cash provided by financing activities	1,188,108	82,324	690,361,040
Effect of exchange rate changes on cash	(36,769)	(77,877)	775,977
Increase (decrease) in cash and cash equivalents	(64,846,829)	39,678,379	15,997,671
Cash and cash equivalents, beginning of period	80,844,500	12,076,938	
Cash and cash equivalents, end of period	$ 15,997,671	$ 51,755,317	$ 15,997,671

The accompanying notes are an integral part of the 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. is a development stage enterprise involved in the design, development and manufacture of fuel cell systems for industrial-motive (forklift or material handling) markets and stationary power markets worldwide. The Company is a development stage enterprise because substantially all of the Company s resources and efforts are 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 the Company s products. The Company continues to experience significant net outflows of cash from operations and devotes significant efforts towards financial planning in order to forecast future cash spending and the ability to continue product development, manufacturing and sales activities. Fuel cell technology within the Company s targeted markets material handling, remote prime power, residential combined heat and power and wireless and wireline telecommunications - is still early in the technology adoption life cycle.

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 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.

The Company sells its products worldwide through a product sales force. The Company sells to business, industrial and government customers.

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 P 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 March 31, 2009, neither the Company nor any of its subsidiaries was an investment company pursuant to the Investment Company Act of 1940, as amended.

Liquidity

The Company anticipates incurring substantial additional losses over at least the next several years and believes that its 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. The Company s cash requirements depend on numerous factors, including completion of our product development activities, our ability to commercialize our energy products, market acceptance of our systems and other factors. The Company expects to devote substantial capital resources to continue its development programs directed at commercializing our energy products for worldwide use, hiring and training production staff, develop and expand manufacturing capacity and continue expanding our production and research and development activities. 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 March 31, 2009 and March 31, 2008, respectively, is $55.7 million and $52.7 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 March 31, 2009, the interest rates ranged from 0% to 13.0% on the auction rate debt securities as compared to the interest rate range at December 31, 2008 from 1.55% to 3.43%.

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 (See Note 10, Credit Line Agreement and Auction Rate Debt Securities Repurchase Agreement), at their par value, from June 30, 2010 through July 2, 2012. The fair value of the Repurchase Agreement at its origination was $10.2 million and was recorded as income in the December 31, 2008 consolidated statement of operations.

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. 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, 2008.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2008 has been derived from the Company s December 31, 2008 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 March 31, 2009 and 2008.

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.

Recent Accounting Pronouncements: In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 162, The Hierarchy of Generally Accepted Accounting Principles. This new standard identifies the sources of accounting principles and the framework for selecting the accounting principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. This new standard mandates the GAAP hierarchy reside in the accounting literature as opposed to the audit literature. This has the practical

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impact of elevating FASB Statements of Financial Accounting Concepts in the GAAP hierarchy. SFAS No. 162 is effective 60 days after the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company does not believe adoption of this new standard will have a material effect on its condensed consolidated financial position, condensed consolidated results of operations, or liquidity.

In January 2009, the FASB released Staff Position SFAS 107-b and Accounting Principles Board (APB) Opinion No. 28-a, Interim Disclosures about Fair Value of Financial Instruments (SFAS 107-b and APB 28-a). This proposal amends FASB Statement No. 107, Disclosures about Fair Values of Financial Instruments, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. The proposal also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. This proposal is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company plans to adopt SFAS 107-b and APB 28-a and provide the additional disclosure requirements for the quarter ending June 30, 2009.

In March 2009, the FASB released Staff Position SFAS 157-e, Determining Whether a Market Is Not Active and a Transaction Is Not Distressed (SFAS 157-e). This proposal provides additional guidance in determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurement purposes as defined in SFAS 157, Fair Value Measurements. SFAS 157-e is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company plans to adopt the provisions of SFAS 157-e during the quarter ending June 30, 2009 and does not believe adoption of this new standard will have a material effect on its condensed consolidated financial position, condensed consolidated results of operations, or liquidity.

In March 2009, the FASB issued Staff Position SFAS 115-a, SFAS 124-a, and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments. This proposal provides guidance in determining whether impairments in debt securities are other than temporary, and modifies the presentation and disclosures surrounding such instruments. This Proposed Staff Position is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company plans to adopt the provisions of this Proposed Staff Position during the quarter ending June 30, 2009 and does not believe adoption of this new standard will have a material effect on its condensed consolidated financial position, condensed consolidated results of operations, or liquidity.

3. Fair Value Measurements

The Company adopted SFAS No. 157, Fair Value Measurements on January 1, 2008, for financial assets and financial liabilities. SFAS No. 157 defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The Company adopted Financial Accounting Standards Board Staff Position (FSP) No. 157-2, Effective Date of FASB Statement No. 157 on January 1, 2009, for nonfinancial assets and nonfinancial liabilities. The adoption of this standard had no impact on the Company s condensed consolidated financial statements for the quarter ended March 31, 2009.

SFAS No. 157 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

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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.

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 table summarizes the bases used to measure certain financial assets at fair value on a recurring basis in the consolidated balance sheet:

Basis of Fair Value Measurements

	Quoted Prices in Active Markets for Identical Items	Significant Other Observable Inputs	Significant Unobservable Inputs

Balance at March 31, 2009	Total	(Level 1)	(Level 2)	(Level 3)
Trading securities auction rate debt securities	$ 55,700,648			$ 55,700,648
Available-for-sale securities	$ 72,717,155	$ 72,717,155		
Auction rate debt securities repurchase agreement	$ 7,174,352			$ 7,174,352

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 three months ended March 31, 2009:

Auction Rate Debt Securities

	Fair Value Measurements Using Significant Unobservable Inputs
Beginning of period	$ 52,650,654
Net gains (losses) on trading securities for the three months ended March 31, 2009	3,049,994
Fair value of trading securities - auction rate debt securities at March 31, 2009	$ 55,700,648

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Auction Rate Debt Securities Repurchase Agreement

	Fair Value Measurements Using Significant Unobservable Inputs
Beginning of period	$ 10,224,346
Change in fair value of auction rate securities repurchase agreement	(3,049,994)
Fair value of auction rate debt securities repurchase agreement at March 31, 2009	$ 7,174,352

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.

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 March 31, 2009.

4. Earnings Per Share

The Company reports net loss per basic and diluted common share in accordance with SFAS No. 128, Earnings Per Share , 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, adjusted for unvested restricted stock. 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, computed by dividing net earnings by the combination of dilutive common share equivalents, 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.

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

	Three Months Ended March 31, 2009	2008
Numerator:		
Net loss	$(8,157,449)	$(20,727,686)
Denominator:		
Weighted average number of common shares	128,472,637	88,071,196

The dilutive potential common shares are summarized as follows:

	Three Months Ended March 31, 2009	2008
Stock options	6,128,761	4,825,782
Unvested restricted stock	10,000	843,473
Preferred stock (1)	-	39,500,000
Warrants (2)	571,429	571,429
	6,710,190	45,740,684

(1) The preferred stock amount represents the dilutive potential common shares of the 395,000 shares of Class B capital stock issued on June 29, 2006, which were converted into 39,500,000 shares of common stock in December 2008.

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

5. Intangible Assets

The gross carrying amount and accumulated amortization of the Company s acquired identifiable intangible assets related to Cellex and General Hydrogen as of March 31, 2009 are as follows:

Total

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Effect of Foreign Currency Translation	
Acquired Technology	8 years	$ 15,900,000	$ (4,105,672)	$ (374,809)	11,419,519
Customer Relationships	8 years	1,000,000	(239,583)		760,417
		$ 16,900,000	$ (4,345,255)	$ (374,809)	$ 12,179,936

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6. Stockholders Equity

Changes in stockholders equity for the three months ended March 31, 2009 are as follows:

	Common Stock				Treasury Stock			
				Accumulated			Deficit Accumulated	Tot
			Additional	Other Comprehensive			During the Development	Sto
	Shares	Amount	Paid-in-Capital	Income (Loss)	Shares	Amount	Stage	Equ
December 31, 2008	128,164,003	$ 1,281,640	$ 765,347,706	$ (359,253)	402,114	$ (743,586)	$ (639,662,385)	$ 125
Net loss	-	-	-	-	-	-	(8,157,449)	(8,157
Foreign currency translation loss	-	-	-	(197,202)	-	-	-	(197,2
Unrealized loss on available-for-sale securities	-	-	-	(64,380)	-	-	-	(64,38
Total comprehensive loss								
Stock based compensation	1,585,568	15,856	1,528,580	-	-	-	-	1,544,

Stock issued under employee stock								
purchase plan	105,991	1,060	107,051	-	-	-	-	108,1
Treasury stock purchases	-	-	-	-	552,553	(502,808)	-	(502,8
March 31, 2009	129,855,562	$ 1,298,556	$ 766,983,337	$ (620,835)	954,667	$ (1,246,394)	$ (647,819,834)	$ 118

7. 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 three months ended March 31, 2009 and 2008:

	March 31, 2009	**March 31, 2008**
Stock-based compensation accrual impact	$1,144,954	$77,119
Change in unrealized gain/loss on available-for-sale securities	(64,380)	(79,221)