PLUG POWER INC

FORM 10-K
(Annual Report)

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Sector	Technology
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

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. 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)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share.

Indicate by a 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 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 |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or an amendment to this Form 10-K.

As of March 23, 2001, 43,981,427 shares of the Registrant's Common Stock were issued and outstanding. The aggregate market value of the voting stock of the Registrant held by non-affiliates of the Registrant, based upon the closing sale price of $14.00 on the Nasdaq National Market on March 23, 2001, was $615,739,978.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Registrant's Annual Meeting of stockholders to be held on May 16, 2001 are incorporated by reference into Part III of this report to the extent described therein.

PART I

Item 1. Business

Overview

We are a designer and developer of on-site, energy generation systems utilizing proton exchange membrane fuel cells for stationary applications. We were formed in 1997, as a joint venture between Edison Development Corporation (EDC), a DTE Energy Company and Mechanical Technology Incorporated (MTI). We intend to manufacture residential and small commercial stationary systems which will be sold globally through a joint venture with GE MicroGen, Inc. (GE MicroGen). DTE Energy Technologies (DTE) will distribute these systems in Michigan, Illinois, Ohio and Indiana. In February 2000, we established a European presence, Plug Power Holland, through the acquisition of a fuel processing group from Gastec, NV. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Alliances and Development Agreements.

Our initial commercial product is expected to be a fully integrated, 60 Hz grid-parallel unit that will operate on natural gas. It is expected to be commercially available, in limited numbers, in the first half of 2002, and will be marketed to a select number of managed customers, including utilities, government entities and our distribution partners, GE MicroGen and DTE. This initial product will be a limited edition commercial fuel cell system that is intended to offer complimentary, quality power while demonstrating the market value of fuel cells as a preferred form of alternative distributed power generation. Subsequent enhancements are expected to expand the market opportunity for fuel cells by lowering the installed cost, decreasing operating and maintenance costs, increasing efficiency, improving reliability, and adding features such as grid independence and co-generation.

Fuel Cells and Fuel Cell Systems

A fuel cell is a device that combines hydrogen, derived from a fuel such as natural gas, propane, methanol or gasoline, and oxygen from the air to produce electric power without combustion. A single fuel cell consists principally of two electrodes, the anode and the cathode, separated by a polymer electrolyte membrane. Each of the electrodes is coated on one side with a platinum-based catalyst. Hydrogen fuel is fed into the anode and air enters through the cathode. Induced by the platinum catalyst, the hydrogen molecule splits into two protons and two electrons. The electrons are conducted around the membrane creating an electric current and the protons from the hydrogen molecule are transported through the polymer electrolyte membrane and combine at the cathode with the electrons and oxygen from the air to form water and produce heat.

To obtain the desired level of electric power, individual fuel cells are combined into a fuel cell stack. Increasing the number of fuel cells in a stack increases the voltage, while increasing the surface area of each fuel cell increases the current. Our fully integrated systems use our patented fuel processor technology to convert natural gas into hydrogen-rich fuel. This fuel is passed through the system's fuel cell stack where electricity is electrochemically generated. The fuel cell's power conditioner then converts the electricity into high-quality alternating current for normal household use.

Product Development and Commercialization

We continue to advance the development of our product. Our research and development facility contains over 150 test stations where we conduct design optimization and verification testing, rapid-aging testing, failure mode and effects analysis, multiple technology evaluations, and endurance testing in our effort to accelerate the development and commercialization of our fuel cell systems. During 2000 we produced a total of 113 pre-commercial systems fueled by natural gas, for both onsite and offsite testing. These included 4 development and 18 prototype units of our initial commercial design. Through year-end, our systems have accumulated over 133,000 hours of system run time, and have enabled us to gather meaningful data that is critical to the design of our initial commercial product.

We have completed selecting the suppliers for our initial commercial product, and believe we have the appropriate relationships established to ensure adequate supply of components. In 2001, we expect to begin small-scale production of our pre-commercial verification systems, which will be tested to verify the final design before commercial production begins.

Manufacturing

Our goal is to manufacture reliable, efficient and safe fuel cell systems at affordable cost for mass market consumption. We are focusing our efforts on overall system design, component and subsystem integration, assembly, and quality control processes. We have also begun to establish a manufacturing infrastructure by installing a new management information system and developing our manufacturing processes based on lean manufacturing practices. In February 2000, we completed construction of our 50,000 square foot manufacturing facility, adjacent to our development laboratories, that will allow us to begin production of our pre-commercial and initial commercial systems. Based on our commercialization plan, we anticipate that our existing facilities, including our new manufacturing plant will provide sufficient capacity through 2002, and that we will need to develop or build additional capacity in order to achieve the production levels expected in 2003 and thereafter.

Our strategy continues to evolve around third-party suppliers who, with our assistance, can design, develop and/or manufacture subsystems and components that we expect will achieve our cost and reliability targets. We perform significant quality testing before we integrate any third-party subsystems and components into our final assembled fuel cell system. Since our inception we have formed strategic alliances to develop and supply key components, including:

GASTEC: In February 2000, we acquired intellectual property, and certain fixed assets, from Gastec, NV, related to fuel processor development for fuel cell systems capable of producing up to 100 kW of electricity. See Management's Discussion and Analysis of Financial Condition and Results of Operations -- Alliances and Development Agreements.

VAILLANT: In March 2000, we finalized a development agreement with Vaillant Gmbh to develop a combination furnace, hot water heater and fuel cell system that will provide both heat and electricity for the home. See Management's Discussion and Analysis of Financial Condition and Results of Operations -- Alliances and Development Agreements.

CELANESE: In April 2000, we finalized a joint development agreement with Celanese GmbH (formerly, AXIVA GmbH), to develop a high temperature membrane electrode unit. See Management's Discussion and Analysis of Financial Condition and Results of Operations -- Alliances and Development Agreements.

ENGELHARD: In June 2000, we finalized a joint development agreement with Engelhard Corporation for development and supply of advanced catalysts to increase the overall performance and efficiency of our fuel processor. See Management's Discussion and Analysis of Financial Condition and Results of Operations -- Alliances and Development Agreements.

Distribution and Marketing

In February 1999, we entered into an agreement with GE MicroGen (formerly GE On-Site Power) to create GE Fuel Cell Systems, LLC (GEFCS), a joint venture owned 75% by GE MicroGen and 25% by Plug Power, which is dedicated to marketing, selling, installing and servicing our fuel cell systems. Plug Power will serve as GEFCS' exclusive worldwide supplier of PEM fuel cell systems under 35kW designed for residential and small commercial stationary applications. GEFCS will have the exclusive worldwide rights to market, distribute, install and service our systems (other than in the states of Illinois, Indiana, Michigan and Ohio, in which DTE will be our exclusive distributor). Under this arrangement, we will sell our systems directly to GEFCS, which, in turn, will identify qualified resellers who can distribute and service these systems. Plug Power systems sold through GEFCS will be co-branded with both the General Electric and Plug Power names and trademarks, and may also carry the brand of the local reseller.

Potential GEFCS resellers include gas and electric utilities and new market entrants such as gas and power marketers, unregulated affiliates of utilities, appliance distributors and energy service companies. To date, GEFCS has entered into distribution agreements with Flint Energies, a Georgia-based rural electric cooperative, NJR Energy

Holdings Corporation, an affiliate of New Jersey Natural Gas Company, Kubota Corporation of Japan, Rahimafrooz Energy Services Ltd of Bangladesh, Soroof Trading Development Company Limited of Saudi Arabia and Vaillant Gmbh of Remscheid, Germany, Europe's leading heating appliance manufacturer.

During 2000, we completed an amendment to our distribution agreement with GEFCS that defines product specifications and delivery schedules for pre-commercial and commercial model introductions. The new agreement also allows GEFCS to extend the existing 10-year agreement by an additional 5 years, to 2014, although GEFCS may terminate the agreement earlier if, among other reasons, we fail to use best efforts to remain in compliance with any of the following GEFCS requirements: to deliver systems on schedule; to deliver systems that meet specifications, cost requirements and regulatory requirements; to obtain all necessary approvals and certifications for our systems; or to produce competitive commercial fuel cell systems. In 2001, we further amended our distribution agreement with GEFCS to redefine certain of these best efforts obligations.

Installation, Servicing and Maintenance

GEFCS has committed to provide complete product support for Plug Power systems through its own service structure, reseller service network, and contracts with third party service providers.

GEFCS service program is expected to be closely coordinated with the introduction of Plug Power's fuel cell systems, so that a sufficient level of installation, maintenance, and customer support service will be available in all areas where our systems are sold. We also expect that GEFCS will provide the warranty service for our products according to terms to be mutually agreed upon by Plug Power and GEFCS. We expect that GEFCS' service plan will be completed and the requisite service contracts in place prior to commercial sale of our units through GEFCS.

Proprietary Rights

Fuel cell technology has existed since the 19th century, and PEM fuel cells were first developed in the 1950s. Consequently, we believe that neither we nor our competitors can achieve a significant proprietary position on the basic technologies used in fuel cell systems. However, we believe the design and integration of the system and system components, as well as some of the low-cost manufacturing processes that we have developed, can be protected.

As of December 31, 2000, we had 18 issued patents and 74 patents pending in the United States, and abroad we had 1 issued patent and 25 patents pending. These patents cover, among other things, fuel cell components that reduce manufacturing part count, fuel cell system designs that lend themselves to mass manufacturing, improvements to fuel cell system efficiency, reliability, and longer system life, and control strategies, such as added safety protections and operation under extreme conditions. Each of our employees has agreed that all inventions made or conceived while an employee of Plug Power which are related to or result from work or research that Plug Power performs will remain the sole and exclusive property of Plug Power, whether patented or not.

Competition

We compete against other existing and emerging technologies in our targeted residential and small commercial distributed generation markets. On a technology basis, we compete with both non-combustion and combustion distributed generation technologies.

Non-combustion: Several companies are developing non combustion-based distributed power generation technologies including fuel cells, solar and wind technologies. Of fuel cell technologies, we compete against other PEM developers and we compete with companies that make other types of fuel cell technologies that are generally considered to have viable commercial applications: phosphoric acid fuel cells, molten carbonate fuel cells, solid oxide fuel cells and alkaline fuel cells.

PEM competitors that we are aware of include Ballard Power Systems, Inc., Dais Analytic, DeNora SpA, Energy Partners Inc., H Power Corp., International Fuel Cells Corporation, IdaTech Corporation, Nuvera Fuel Cells Inc., Sanyo Electric Company and Toshiba Corporation. Other fuel cell technology developers include Fuel Cell Energy Inc., Global Thermoelectric Inc., Hitachi Corporation, Mitsubishi Electric Company, Sulzer-Hexis and ZeTek Power Plc. Additionally a number of major automotive and manufacturing companies also have in-house PEM fuel cell development efforts.

Combustion: Our systems will also compete with combustion-based distributed power generation technologies, including microturbines and reciprocating engines, which are available at prices competitive with existing forms of power generation.

Markets: Our products will compete against the grid and distributed power generation technologies, including other PEM fuel cells, natural gas reciprocating engines, and potentially solid oxide fuel cells and flywheel/small turbine combinations. We also face competition in the small commercial market for fuel cell systems. Our primary competitors in this market include the grid, diesel generators, microturbines and other fuel cell manufacturers.

We expect to compete primarily on the basis of cost, reliability, efficiency and environmental friendliness. Although we believe many choices will emerge in the distributed power generation marketplace, we believe our fuel cell systems integrated with PEM fuel cell technology, will compete most favorably in our targeted residential and small commercial markets.

Government Regulation

We do not believe that we will be subject to existing federal and state regulatory commissions governing traditional electric utilities and other regulated entities. We do believe, however, that our product and its installation will be subject to oversight and regulation at the local level in accordance with state and local ordinances relating to among others, building codes, public safety, electrical and gas pipeline connections and related matters. The level of regulation may depend, in part, upon whether a system is placed outside or inside a home. We have worked to have pertinent codes and standards, such as the National Electrical Code, modified to address the installation of fuel cell systems. Product safety standards have been established covering the overall fuel cell system (ANSI Z21.83) and the power conversion electronics (UL 1741). Our product is being designed in compliance with these standards and, in the case of the power conversion electronics (inverter) for our initial commercial product, it has already been listed by Underwriter's Laboratories. At this time, we do not know exactly what requirements, if any, each jurisdiction, will impose upon our product or installation. We also do not know the extent to which any new regulations may impact our ability to distribute, install and service our product. Once our product reaches the commercialization stage and we begin distributing our systems to our target early markets, the federal, state or local government entities or competitors may seek to impose regulations.

Employees

As of December 31, 2000, we had a total staff of 537, including 502 full- time employees, of which 248 were engineers, scientists, and other degreed professionals. We consider our relations with our employees to be good. We continuously monitor our workforce in an effort to identify specific areas of need or where there are job redundancies and inefficiencies based on our stage of development. Our intention is to most effectively utilize our physical plant, financial resources and human resources.

Factors Affecting Future Results

This Annual Report on Form 10-K and the following discussion contain statements which are not historical facts and are considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements contain projections of our future results of operations or of our financial position or state other forward-looking information. In some cases you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words. You should not rely on these forward-looking statements because our actual results may differ materially from those indicated by these forward-looking statements as a result of a number of important factors. These factors include, but are not limited to the following:

We have only been in business for a short time and your basis for evaluating us is limited

We were formed in June 1997 to further the research and development of residential fuel cell systems. We have not produced a commercially viable product and do not expect to be profitable for at least the next several years. Accordingly, there is only a limited basis upon which you can evaluate our business and prospects. An investor in our common stock should consider the challenges, expenses and difficulties that we will face as a development stage company seeking to develop and manufacture a new product.

We have incurred losses and anticipate continued losses for at least the next several years

As of December 31, 2000, we had an accumulated deficit of $135.2 million. We have not achieved profitability and expect to continue to incur net losses until we can produce sufficient revenues to cover our costs. We expect the cost to produce our pre-commercial systems to be higher than their sales price under the terms of our distribution arrangements with GEFCS and DTE. Furthermore, even if we achieve our objective of bringing our first commercial product to market in 2002, we anticipate that we will continue to incur losses until we can cost-effectively produce and sell our fuel cell systems to the mass market. Even if we do achieve profitability, we may be unable to sustain or increase our profitability in the future.

We may never complete the research and development of a commercially viable residential fuel cell system

We do not know when or whether we will successfully complete research and development of a commercially viable residential fuel cell system. We have produced and are currently demonstrating a number of test and evaluation systems and are continuing our efforts to decrease the costs of our systems' components and subsystems, improve their overall reliability and efficiency, and ensure their safety. However, we must complete substantial additional research and development on our systems before we will have a commercially viable product. In addition, while we are conducting tests to predict the overall life of our systems, we will not have run our systems over their projected useful life prior to commercialization.

A mass market for residential fuel cell systems may never develop or may take longer to develop than we anticipate

Fuel cell systems for residential use represent an emerging market, and we do not know whether our targeted distributors and resellers will want to purchase them or whether end-users will want to use them. If a mass market fails to develop or develops more slowly than we anticipate, we may be unable to recover the losses we will have incurred to develop our product and may be unable to achieve profitability. The development of a mass market for our systems may be impacted by many factors which are out of our control, including:
the cost competitiveness of fuel cell systems; the future costs of natural gas, propane and other fuels used by our systems; consumer reluctance to try a new product; consumer perceptions of our systems' safety; regulatory requirements; and the emergence of newer, more competitive technologies and products.

We have no experience manufacturing residential fuel cell systems on a commercial basis

To date, we have focused primarily on research and development and have no experience manufacturing fuel cell systems for the residential market on a commercial basis. In 2000, we completed construction of our 50,000 square foot manufacturing facility and are continuing to develop our manufacturing capability and processes. We do not know whether or when we will be able to develop efficient, low-cost manufacturing capability and processes that will enable us to meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market our residential fuel cell systems. Even if we are successful in developing our manufacturing capability and processes, we do not know whether we will do so in time to meet our product commercialization schedule or to satisfy the requirements of our distributors or customers.

We are heavily dependent on our relationship with GE Fuel Cell Systems and General Electric's commitment to develop the residential fuel cell market

We believe that a substantial portion of our revenue for the foreseeable future will be derived from sales of our products to GEFCS. However, we have not fully developed and produced the product we have agreed to sell to GEFCS. Economic and technical difficulties may prevent us from completing development of the products and delivering them on schedule to GEFCS.

In addition, our ability to sell our systems to the mass market is heavily dependent upon GEFCS' worldwide sales and distribution network and service capabilities. Although we own a minority interest in GEFCS, we cannot control its operations or business decisions. Any change in our relationship with General Electric, whether as a result of market, economic, or competitive pressures, including an inability to satisfy our contractual obligations to GEFCS or any decision by General Electric to alter its commitment to GEFCS or our fuel cell technology in favor of other fuel cell technologies, to develop fuel cell systems targeted at different markets than ours or to focus on different energy product solutions could harm our reputation and potential earnings by depriving us of the benefits of General Electric's worldwide sales and distribution network and service capabilities.

Under the terms of our distribution agreement, GEFCS has exclusive worldwide rights to market, distribute, install and service Plug Power fuel cell systems designed for residential and commercial applications under 35 kW (other than the states of Illinois, Indiana, Michigan and Ohio, in which DTE has exclusive distribution rights). Under our distribution agreement, we will sell our systems directly to GEFCS, which, in turn, will seek to sell them to selected resellers. Our distribution agreement expires in 2014, although General Electric may terminate the agreement earlier if, among other reasons, we fail to use best efforts to remain in compliance with any of the following General Electric requirements: to deliver systems on schedule; to deliver systems that meet specifications, cost requirements and regulatory requirements; to obtain all necessary approvals and certifications for our systems; or to produce competitive commercial fuel cell systems. In 2001, we further amended our distribution agreement with GEFCS to redefine certain of these best efforts obligations.

We may not meet our product development and commercialization milestones

We have established product development and commercialization milestones and dates for achieving development goals related to technology and design improvements. We use these milestones to assess our progress toward developing a commercially viable residential fuel cell system. For example, 2000 was a milestone year for delivering 485 pre-commercial units to GEFCS on a take-or-pay basis for a total of $10.3 in revenue. During the second quarter of 2000, we determined that the specifications of the then current pre-commercial units did not conform to the specifications originally agreed upon with GEFCS in February 1999 and that we would not meet such milestone. Additionally, we set milestones of building 500 developmental and pre-commercial units in 2000, having commercial units available in 2001, and achieving profitability by 2003. During 2000, we produced a total 113 pre-commercial systems delayed commercial availability of our initial product to the first half of 2002 and announced that we would not be profitable for at least the next several years. In addition, we have certain best efforts obligations to GE in 2001 with respect to pre-commercial and first generation commercial products.

Delays or any other missed milestones may have a material impact on our commercialization schedule. If we do experience delays in meeting our development goals or if our systems exhibit technical defects or are unable to meet cost or performance goals, including power output, useful life and reliability, our commercialization schedule could be delayed beyond the first half of 2002. In such event, potential purchasers of our initial commercial systems may choose alternative technologies and any delays could allow potential competitors to gain market advantages. We cannot guarantee that we will successfully achieve our milestones in the future.

We are dependent on third parties for product development, manufacturing and the development and supply of key components for our products

While we have recently entered into relationships with strategic suppliers of key components, we do not know when or whether we will secure relationships with partners for all required components and subsystems for our fuel cell systems, or whether such relationships will be on terms that will allow us to achieve our objectives. Our business, prospects, results of operations, or financial condition could be harmed if we fail to secure relationships with entities who can develop and/or supply the required components for our systems. Additionally, the agreements governing these relationships allow for termination by our partners under a number of circumstances.

We will rely on our partners to develop and provide components for our fuel cell systems. A supplier's failure to develop and supply components in a timely manner, or to develop and/or supply components that meet our quality, quantity or cost requirements, or our inability to obtain substitute sources of these components on a timely basis or on terms acceptable to us, could harm our ability to manufacture our fuel cell systems. In addition, to the extent that our partners use technology or manufacturing processes that are proprietary, we may be unable to obtain comparable components from alternative sources.

In addition, platinum is a key component of our PEM fuel cells. Platinum is a scarce natural resource and we are dependent upon a sufficient supply of this commodity. While we do not anticipate significant near or long term shortages in the supply of platinum, such shortages could adversely affect our ability to produce commercially viable fuel cell systems or significantly raise our cost of producing our fuel cell systems.

We face intense competition and may be unable to compete successfully

The markets for electricity are intensely competitive. There are many companies engaged in all areas of traditional and alternative electric power generation in the United States, Canada and abroad, including, among others, major electric, oil, chemical, natural gas, and specialized electronics firms, as well as universities, research institutions and foreign government-sponsored companies. These firms are engaged in forms of power generation such as solar and wind power, reciprocating diesel engines and microturbines as well as grid- supplied electricity. Many of these entities have substantially greater financial, research and development, manufacturing and marketing resources than we do.

There are a number of companies located in the United States, Canada, and abroad that are developing PEM and other fuel cell technologies such as:
phosphoric acid fuel cells, molten carbonate fuel cells, solid oxide fuel cells and alkaline fuel cells. We also compete with companies that are developing applications, residential and otherwise, using other types of fuel cells. Some of our competitors are much larger than we are. If these larger competitors decide to focus on the development of residential fuel cell systems, they have the manufacturing, marketing, and sales capabilities to complete research, development and commercialization of a commercially viable residential fuel cell system more quickly and effectively than we can.

Changes in government regulations and electric utility industry restructuring may affect demand for our fuel cell systems

The market for electricity generation products is heavily influenced by federal and state governmental regulations and policies concerning the electric utility industry. The loosening of current regulatory policies could deter further investment in the research and development of alternative energy sources, including fuel cells, and could result in a significant reduction in the potential market demand for our products. We cannot predict how the deregulation and restructuring of the industry will affect the market for residential fuel cell systems.

Our business may become subject to future government regulation which may impact our ability to market our product

We do not believe that our product will be subject to existing federal and state regulations governing traditional electric utilities and other regulated entities. We do believe that our product and its installation will be subject to oversight and regulation at the local level in accordance with state and local ordinances relating to, among others, building codes, public safety, electrical and gas pipeline connections. Such regulation may depend, in part, upon whether a fuel cell system is placed outside or inside a home. At this time, we do not know exactly what requirements, if any, each jurisdiction, will impose upon our product or installation. We also do not know the extent to which any new regulations may impact our ability to distribute, install and service our product. Once our product reaches the commercialization stage and we begin distributing our systems to our target early markets, federal, state or local government entities or competitors may seek to impose regulations. Any new government regulation of our product, whether at the federal, state or local level, including any regulations relating to installation and servicing of our products, may increase our costs and the price of our systems, and may have a negative impact on our revenue and profitability, and therefore, harm our business, prospects, results of operations, or financial condition.

Utility companies could place barriers on our entry into the marketplace

Utility companies commonly charge fees to industrial customers for disconnecting from the grid, for using less electricity, or for having the capacity to use power from the grid for back-up purposes. Though these fees are not currently charged to residential users, it is possible that utility companies could in the future charge similar fees to residential customers. The imposition of such fees could increase the cost to residential customers of using our systems and could make our systems less desirable, thereby harming our revenue and profitability.

Several states (Texas, New York, California and others) have created and adopted or are in the process of creating their own interconnection regulations covering both technical and financial requirements for interconnection to utility grids. Depending on the complexities of the requirements, installation of our systems may become burdened with additional costs and have a negative impact on our ability to sell systems. There is also a burden in having to track the requirements of individual states and design equipment to comply with the varying standards. The Institute of Electrical and Electronics Engineers (IEEE) has been working to create an interconnection standard addressing the technical requirements for distributed generation to interconnect to utility grids. Many parties are hopeful that this standard will be adopted nationally when it is completed to help reduce the barriers to deployment of distributed generation such as fuel cells.

Alternatives to our technology could render our systems obsolete prior to commercialization

Our system is one of a number of alternative energy products being developed today as supplements to the electric grid that have potential residential applications, including microturbines, solar power and wind power, and other types of fuel cell technologies. Improvements are also being made to the existing electric transmission system. Technological advances in alternative energy products, improvements in the electric grid or other fuel cell technologies may render our systems obsolete.

The hydrocarbon fuels on which our systems rely may not be readily available or available on a cost-effective basis

The ability of our systems to produce electricity depends on the availability of natural gas and propane. If these fuels are not readily available to the mass market, or if their prices are such that electricity produced by our systems costs more than electricity provided through the grid, our systems would be less attractive to potential users.

Our residential fuel cell systems use flammable fuels which are inherently dangerous substances

Our residential fuel cell systems will utilize natural gas or propane in a catalytic reaction which produces less heat than a typical gas furnace. While our fuel cell system does not use these fuels in a combustion process, natural gas and propane are flammable fuels that could leak in a home and combust if ignited by another source. These dangers are present in any home appliance that uses natural gas or propane, such as a gas furnace, stove or dryer. Any accidents involving our products or other products using similar flammable fuels could materially suppress demand for, or heighten regulatory scrutiny of, our products. Any liability for damages resulting from malfunctions or design defects could be substantial and could materially adversely affect our business and results of operations. In addition, a well-publicized actual or perceived problem could adversely affect the market's perception of our products resulting in a decline in demand for our products and could divert the attention of our management, which may materially adversely affect our financial condition and results of operations.

We may be unable to raise additional capital to complete our product development and commercialization plans

Our cash requirements depend on numerous factors, including, but not limited to, completion of our product development activities, ability to commercialize our fuel cell systems, and market acceptance of our systems. We expect to devote substantial capital resources to continue development programs, establish a manufacturing infrastructure and develop manufacturing processes. We believe we will need to raise additional funds to achieve commercialization of our product. However, we do not know whether we will be able to secure additional funding, or funding on acceptable terms, to pursue our commercialization plans. If additional funds are raised through the issuance of equity securities, the percentage ownership of our then current stockholders will be reduced. If adequate funds are not available to satisfy either short or long-term capital requirements, we may be required to limit operations in a manner inconsistent with our development and commercialization plans, which could affect operations in future periods. We anticipate incurring substantial additional losses over at least the next several years and believe that our current cash balances will provide sufficient capital to fund operations for at least the next twelve months.

We may have difficulty managing change in our operations

We are undergoing rapid change in the scope and breadth of our operations as we advance the development of our product. Such rapid change is likely to place a significant strain on our senior management team and other resources. We will be required to make significant investments in our engineering and logistics systems, financial and management information systems and to motivate and effectively manage our employees. Our business, prospects, results of operations or financial condition could be harmed if we encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by such a rapid change.

We face risks associated with our plans to market, distribute and service our products internationally

We intend to market, distribute, and service our residential fuel cell systems internationally through SystemsGEFCS. We have limited experience developing, and no experience manufacturing our products to comply with the commercial and legal requirements of international markets. Our success in those markets will depend, in part, on GEFCS' ability to secure relationships with foreign resellers and our ability to manufacture products that meet foreign regulatory and commercial requirements. Additionally, our planned international operations are subject to other inherent risks, including potential difficulties in enforcing contractual obligations and intellectual property rights in foreign countries and fluctuations in currency exchange rates.

We may not be able to protect important intellectual property

PEM fuel cell technology was first developed in the 1950s and we do not believe we can achieve a significant proprietary position on the basic technologies used in fuel cell systems. Similarly, fuel processing technology has been practiced on a large scale in the petrochemical industry for decades. However, our ability to compete effectively against other fuel cell companies will depend, in part, on our ability to protect our proprietary technology, systems designs and manufacturing processes. We do not know whether any of our pending patent applications will issue or, in the case of patents issued or to be issued, that the claims allowed are or will be sufficiently broad to protect our technology or processes. Even if all of our patent applications are issued and are sufficiently broad, they may be challenged or invalidated. We could incur substantial costs in prosecuting or defending patent infringement suits. While we have attempted to safeguard and maintain our proprietary rights, we do not know whether we have been or will be completely successful in doing so. Moreover, patent applications filed in foreign countries may be subject to laws, rules and procedures that are substantially different from those of the United States, and any resulting foreign patents may be difficult and expensive to enforce.

Further, our competitors may independently develop or patent technologies or processes that are substantially equivalent or superior to ours. If we are found to be infringing third party patents, we could be required to pay substantial damages, and we do not know whether we will be able to obtain licenses to use such patents on acceptable terms, if at all. Failure to obtain needed licenses could delay or prevent the development, manufacture or sale of our fuel cell systems, and could necessitate the expenditure of significant resources to develop or acquire non-infringing intellectual property.

We rely, in part, on contractual provisions to protect our trade secrets and proprietary knowledge. These agreements may be breached, and we may not have adequate remedies for any breach. Our trade secrets may also be known without breach of such agreements or may be independently developed by competitors. Our inability to maintain the proprietary nature of our technology and processes could allow our competitors to limit or eliminate any competitive advantages we may have and prevent us from being the first company to commercialize residential fuel cell systems, thereby harming our business prospects.

Our government contracts could restrict our ability to effectively commercialize our technology

Some of our technology has been developed under government funding by the United States and by other countries. In some cases, government agencies in the United States can require us to obtain or produce components for our systems from sources located in the United States rather than foreign countries. Our contracts with government agencies are also subject to the risk of termination at the convenience of the contracting agency, potential disclosure of our confidential information to third parties, and the exercise of "march-in" rights by the government. March-in rights is the right of the United States government or government agency to exercise its non-exclusive, royalty-free, irrevocable worldwide license to any technology developed under contracts funded by the government if the contractor fails to continue to develop the technology. The implementation of restrictions on our sourcing of components or the exercise of march-in rights could harm our business, prospects, results of operations, or financial condition. In addition, under the Freedom of Information Act, any documents that we have submitted to the government or to a contractor under a government funding arrangement is subject to public disclosure that could compromise our intellectual property rights unless such documents are exempted as trade secrets or as confidential information and treated accordingly by such government agencies.

Our future plans could be harmed if we are unable to attract or retain key personnel

We have attracted a highly skilled management team and specialized workforce, including scientists, engineers, researchers, manufacturing and marketing professionals. Our future success is dependent, in part, on attracting and retaining qualified management and technical personnel. We do not know whether we will be successful in hiring or retaining qualified personnel. Our inability to hire qualified personnel on a timely basis, or the departure of key employees, could materially and adversely affect our development and commercialization plans and, therefore, our business, prospects, results of operations and financial condition.

We must lower the cost of our fuel cell systems and demonstrate their reliability

The fuel cell systems we develop currently cost significantly more than the cost of many established competing technologies. If we are unable to produce fuel cell systems that are competitive with competing technologies in terms of price, reliability and longevity, consumers will be unlikely to buy products containing our fuel cell systems. The price of fuel cell systems is dependent largely on material and manufacturing costs. We cannot guarantee that we will be able to lower these costs to the level where we will be able to produce a competitive product or that any product produced using lower cost materials and manufacturing processes will not suffer from a reduction in performance, reliability and longevity.

Failure of our field tests could negatively impact demand for our products

We are currently field testing a number of our systems and we plan to conduct additional field tests in the future. We may encounter problems and delays during these field tests for a number of reasons, including the failure of our technology or the technology of third parties, as well as our failure to maintain and service our systems properly. Many of these potential problems and delays are beyond our control. Any problem or perceived problem with our field tests could materially harm our reputation and impair market acceptance of, and demand for, our products.

Our distribution partners have representatives on our Board of Directors

The distribution partners for our fuel cell systems, GEFCS and DTE, control three seats on our Board of Directors. The presence of representatives of our major customers on our Board could influence certain decisions and present conflicts.

Our stock price has been and could remain volatile

The market price for our common stock has been and may continue to be volatile and subject to extreme price and volume fluctuations in response to market and other factors. As a result of past volatility in the market price of our stock we have been the subject of securities class action litigation which could result in substantial costs and diversion of management's attention and resources and could harm our stock price, business, prospects, results of operations and financial condition.

Item 2. Properties

Our principal executive offices are located in Latham, New York. At our 36 acre campus, we own a 56,000 square foot research and development center, a 32,000 square foot office building and a 50,000 square foot manufacturing facility and believe that these facilities are sufficient to accommodate our anticipated production volumes through 2002.

Item 3. Legal Proceedings

As we have disclosed on a Form 8-K filed January 25, 2000 with the Securities and Exchange Commission, DCT, Inc. filed a legal complaint on January 25, 2000 seeking damages against us, The Detroit Edison Company and EDC alleging that we misappropriated business and technical trade secrets, ideas, know-how and strategies relating to fuel cell systems and breached certain contractual obligations owed to DCT, Inc. We believe that the allegations in the complaint are without merit and are vigorously contesting the litigation. We do not believe that the outcome of these actions will have a material adverse effect upon our financial position, results of operations or liquidity; however, litigation is inherently uncertain and there can be no assurances as to the ultimate outcome or effect of this action.

On or about September 14, 2000, a shareholder class action complaint was filed in the federal district court for the Eastern District of New York alleging that we and various of our officers and a director violated certain federal securities laws by failing to disclose certain information concerning our products and future prospects. The action was brought on behalf of a class of purchasers of Plug Power stock who purchased the stock between February 14, 2000 and August 2, 2000. Subsequently, fourteen additional complaints with similar allegations and class periods were filed. By order dated October 30, 2000, the court consolidated the complaints into one action, entitled Plug Power Inc. Securities Litigation, CV-00-5553 (ERK) (RML). By order dated January 25, 2001, the Court appointed lead plaintiffs and lead plaintiffs' counsel. Subsequently the plaintiffs served a consolidated amended complaint. The consolidated amended complaint extends the class period to begin on October 29, 1999, and alleges claims under Sections 11, 12 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Exchange Act of 1934, and Rule 10b-5 promulgated thereunder by the Securities & Exchange Commission, 17 C.F.R. 240 10b-5. Plaintiffs allege that the defendants made misleading statements and omissions regarding the state of development of the Company's technology in a registration statement and proxy statement issued in connection with the Company's initial public offering and in subsequent press releases, and are seeking damages. The Company believes that the allegations in the consolidated amended complaint are without merit and intend to vigorously defend against the claims. The Company does not believe that the outcome of these actions will have a material adverse effect upon its financial position, results of operations or liquidity; however, litigation is inherently uncertain and there can be no assurances as to the ultimate outcome or effect of these actions.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information. Our Common Stock is traded on the Nasdaq National Market under the symbol "PLUG." As of December 31, 2000, there were 890 shareholders of record. However, management believes that a significant number of shares are held by brokers under a "nominee name" and that the actual number of beneficial shareholders exceeds 50,000. The following table sets forth high and low last reported sale prices for the Common Stock for each fiscal quarter since the effective date of the Offering, October 28, 1999.

	Closing sales prices	
	High	Low
1999		
4th Quarter (from October 28, 1999).......	$ 34.50	$ 15.00
2000		
1st Quarter	$ 149.75	$ 25.75
2nd Quarter	$ 92.00	$ 39.44
3rd Quarter	$ 70.00	$ 36.02
4th Quarter	$ 36.50	$ 9.44
2001		
1st Quarter (through February 28, 2001) ..	$ 31.38	$ 15.00

Dividend Policy. We have never declared or paid cash dividends on the Common Stock and do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the payment of dividends will depend upon capital requirements and limitations imposed by our credit agreements, if any, and such other factors as our board of directors may consider.

Recent Sales of Unregistered Securities and Use of Proceeds.

None.

Item 6. Selected Financial Data

The following tables set forth selected financial data and other operating information of the Company. The selected statement of operations and balance sheet data for 2000, 1999, 1998 and 1997 as set forth below are derived from the audited financial statements of the Company. The information is only a summary and you should read it in conjunction with the Company's audited financial statements and related notes and other financial information included herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Years Ended			
	December 31, 2000	December 31, 1999	December 31, 1998	December 31, 1997*
(In thousands, except per share data)				
STATEMENTS OF OPERATIONS:				
Contract revenue	$ 8,378	$ 11,000	$ 6,541	$ 1,194
Cost of contract revenue	13,055	15,498	8,864	1 ,226
Loss on contracts	(4,677)	(4,498)	(2,323)	(32)
In-process research and development	4,984	--	--	4,043
Research and development expense:				
Noncash stock-based compensation	248	--	--	--
Other research and development	65,657	20,506	4,633	1,301
General and administrative expense:				
Noncash stock-based compensation	7,595	3,228	212	--
Other general and administrative	8,572	6,699	2,541	630
Interest expense	363	190	--	--
Operating loss	(92,096)	(35,121)	(9,709)	(6,006)
Interest income	8,181	3,124	93	103
Loss before equity in losses of affiliate	(83,915)	(31,997)	(9,616)	(5,903)
Equity in losses of affiliate	(2,327)	(1,472)	--	--
Net loss	$ (86,242)	$ (33,469)	$ (9,616)	(5,903)
Loss per share:				
Basic and diluted	$ (1.99)	$ (1.27)	$ (0.71)	$ (0.62)
Weighted average number of common shares outstanding	43,308	26,283	13,617	9,500
BALANCE SHEET DATA: (at end of the period)				
Working capital	$ 83,352	$ 169,212	$ 2,692	$ 2,667

* for the period June 27 (date of inception) to December 31

	Years Ended			
	December 31, 2000	December 31, 1999	December 31, 1998	December 31, 1997*
Total assets	150,829	216,126	8,093	4,846
Curent portion of long-term obligations	577	553	--	--
Long-term obligations	6,707	6,517	--	--
Stockholders' equity	134,131	201,407	5,493	3,597

* For the period June 27 (date of inception) to December 31.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our accompanying Financial Statements and Notes thereto included within this Annual Report on Form 10-K. In addition to historical information, this Annual Report on Form 10-K and the following discussion contain statements which are not historical facts and are considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements contain projections of our future results of operations or of our financial position or state other forward-looking information. In some cases you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words. You should not rely on these forward-looking statements because our actual results may differ materially from those indicated by these forward-looking statements as a result of a number of important factors. These factors include, but are not limited to, our ability to develop a commercially viable fuel cell system; the cost and timing of developing our fuel cell systems; market acceptance of our fuel cell systems; our reliance on our relationship with General Electric; competitive factors, such as price competition, competition from other power technologies and competition from other fuel cell companies; the cost and availability of components and parts for our fuel cell systems; the ability to raise and provide the necessary capital to develop, manufacture and market our fuel cell systems; the cost of complying with current and future governmental regulations; and other risks and uncertainties discussed under Item I - Business under the caption "Risk Factors."

Overview

Plug Power is a designer and developer of on-site, energy generation systems utilizing proton exchange membrane (PEM) fuel cells for stationary applications. GE Fuel Cell Systems, LLC (GEFCS), a joint venture 75% owned by GE MicroGen, Inc. and 25% owned by us, will market, sell, service and install our residential and small commercial fuel cell systems under 35kW (with the exception of DTE who will distribute these systems in Michigan, Illinois, Ohio and Indiana). During 2000, we completed an amendment to our distribution agreement with GEFCS that defines product specifications and delivery schedules for pre-commercial and commercial model introductions. The new agreement also allows GEFCS to extend the existing 10-year agreement by an additional 5 years, to 2014, although GEFCS may terminate the agreement earlier if we fail to meet certain best efforts obligations to GEFCS in 2001 with respect to pre-commercial and first generation commercial products. In 2001, we further amended our distribution agreement with GEFCS to redefine certain of these best efforts obligations.

We were formed in June 1997 as a joint venture to further the development of fuel cells for electric power generation in stationary applications. We are a development stage company and do not expect to have commercial product availability until the first half of 2002.

We continue to advance the development of our initial commercial product. During 2000, we produced a total 113 pre-commercial systems for both onsite and offsite testing including 4 development and 18 prototype units of our initial commercial design. These systems have accumulated over 133,000 hours of system run time. While these systems are not our final commercial design, they have enabled us to gather meaningful data that is critical to the design of our initial commercial product.

Since inception, we have devoted substantially all of our resources toward the development of the PEM fuel cell systems and have derived substantially all of our revenue from government research and development contracts. Through December 31, 2000, our stockholders in the aggregate have contributed $228.0 million in cash, including $93.0 million in net proceeds from our initial public offering of common stock, which closed on November 3, 1999 and $32.4 million in other contributions, consisting of in-process research and development, real estate, other in-kind contributions and equity interests in affiliates, including a 25% interest in GEFCS.

From inception through December 31, 2000, we have incurred losses of $135.2 million and expect to continue to incur losses as we expand our product development and commercialization program and prepare for the commencement of manufacturing operations. We expect that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial as a result of, among other factors, the number of systems we produce and install for internal and external testing, the related service requirements necessary to monitor those systems and potential design changes required as a result of field testing. There can be no assurance that we will manufacture or sell fuel cell systems successfully or achieve or sustain product revenues or profitability.

Alliances and Development Agreements

Since our inception in June 1997, we have formed strategic alliances with suppliers of key components, developed distributor and customer relationships, and entered into development and demonstration programs with electric utilities, government agencies and other energy providers.

Gastec: In February 2000, we acquired all of Gastec's intellectual property, and certain fixed assets, related to fuel processor development for fuel cell systems capable of producing up to 100 kW of electricity. The total purchase price was $14,800,000, paid in cash. In connection with the transaction, we recorded in-process research and development expense in the amount of $4,984,000, fixed assets in the amount of $192,000 and intangible assets in the amount of $9,624,000 (including a trained workforce for $357,000).

The in-process research and development was valued using an income approach which reflects the present value of future avoided costs we estimate that we would otherwise have spent if we were to acquire the exclusive rights to this technology, for its remaining useful life, from another entity. We then discounted the net avoided cost using a 40% discount rate which we believe is consistent with the risk associated with this early stage technology. This amount was further adjusted to reflect the technology's stage of completion, of approximately 30%, in order to reflect the value of the in-process research and development attributable to the efforts of the seller up to the date of the transaction. Fixed assets were capitalized at their fair value and will be depreciated over their useful life. In connection with the transaction, we acquired the services of employees experienced in the fuel cell industry. Accordingly, we have capitalized the estimated cost savings associated with recruiting, relocating and training a similar workforce. The remaining $9,267,000 was capitalized as an intangible asset. This amount together with the value attributable to the trained workforce has been capitalized and is being amortized over 36 months. Through December 31, 2000, the Company has expensed $2.8 million related to the intangible asset and the trained workforce.

Vaillant: In March 2000, we finalized a development agreement with Vaillant Gmbh of Remscheid, Germany (Vaillant), one of Europe's leading heating appliance manufacturers, to develop a combination furnace, hot water heater and fuel cell system that will provide both heat and electricity for the home. Under the agreement, Vaillant will obtain fuel cells and gas-processing components from GEFCS and then will produce the fuel cell heating appliances for its customers in Germany, Austria, Switzerland and the Netherlands, and for GEFCS customers throughout Europe.

Celanese: In April, 2000, we finalized a joint development agreement with Celanese GmbH (formerly, AXIVA GmbH), to develop a high temperature membrane electrode unit (MEU). Under the agreement, Plug Power and Celanese will exclusively work together on the development of a high temperature MEU for our stationary fuel cell system applications. As part of the agreement we will contribute an estimated $4.1 million (not to exceed $4.5 million) to fund our share of the development efforts over the next twelve months. As of December 31, 2000, the Company has contributed $1.5 million under the terms of the agreement. In connection with the transaction, the Company has recorded $1.5 million under the balance sheet caption "Prepaid development costs." Through December 31, 2000, the Company has expensed $1.1 million of such costs.

Engelhard: In June 2000, we finalized a joint development agreement with Engelhard Corporation for development and supply of advanced catalysts to increase the overall performance and efficiency of our fuel processor - the front end of the fuel cell system. As part of the agreement, over the next three years, we will contribute $10 million to fund Engelhard's development efforts and Engelhard will purchase $10 million of our common stock. The agreements also specify rights and obligations for Engelhard to supply products to us over the next 10 years. As of December 31, 2000, the Company has contributed $5 million under the terms of the agreement while Engelhard has purchased $5 million of our common stock. In connection with the transaction, the Company has recorded $5 million under the balance sheet caption "Prepaid development costs." Through December 31, 2000, the Company has expensed $820,000 of such costs.

Advanced Energy Incorporated: In March 2000, the Company acquired a 28% ownership interest in Advanced Energy Incorporated (AEI) (formerly, Advanced Energy Systems, Inc.) in exchange for a combination of $1.5 million cash and Plug Power stock valued at approximately $828,000. The Company accounts for its interest in AEI on the equity method of accounting and adjusts its investment by its proportionate share of income or losses. During the year ended December 31, 2000, AEI had sales of approximately $2.1 million and an operating and net loss of approximately $682,000.

Results of Operations

Comparison of the Year Ended December 31, 2000 and December 31, 1999.

Revenues. Our revenues during this period were derived primarily from cost reimbursement government contracts relating to the development of PEM fuel cell technology and contract revenue generated from the delivery of PEM fuel cells and related engineering and testing support services for other customers. Our government contracts provide for the partial recovery of direct and indirect costs from the specified government agency, generally requiring us to absorb from 25% to 50% of contract costs incurred. As a result, we will report losses on these contracts as well as any future government contracts awarded.

Total revenues decreased to $8.4 million for the year ended December 31, 2000 from $11.0 million for the year ended December 31, 1999. The decrease is the result of completion of government contracts with the U.S. Department of Energy. Although we intend to continue certain government contract work, we expect future contract revenue will continue to decrease on a comparable basis with prior periods, as we focus on bringing our initial product to the commercial marketplace.

During 2000, the Company produced a total of 113 pre-commercial systems for both onsite and offsite testing including 4 development and 18 prototype units of our initial commercial design. The specifications of the systems produced in 2000 did not conform to the specifications originally agreed upon with GEFCS in February 1999. As a result, GEFCS was no longer contractually obligated to purchase the 485 pre-commercial units under its take or pay commitment set forth in the February 1999 agreement and we no longer anticipate the projected $10.3 million in revenue from GEFCS. Additionally, while the Company has certain best efforts obligations to GEFCS in 2001 with respect to pre-commercial and first generation commercial products, we do not expect significant product sales to GEFCS until after full commercial product availability, which is expected during the first half of 2002.

Cost of revenues. Cost of contract revenue includes compensation and benefits for the engineering and related support staff, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies consumed and other directly allocable general overhead costs. Cost of contract revenue was $13.1 million for the year ended December 31, 2000, as compared to $15.5 million for the year ended December 31, 1999. While contract costs have decreased as a result of our reduced government contract activity, the percentage of contract cost compared to contract revenue has increased due to greater cost sharing requirements on those contracts currently in place. The result was a loss on contracts of $4.7 million for the year ended December 31, 2000 compared to a loss on contracts of $4.5 million for the same period last year.

We expect the cost to produce our initial systems will be higher than their sales price under the terms of our arrangements with our two distributors, GEFCS and DTE and expect to continue to experience costs in excess of product revenues until we achieve higher production levels, which we do not anticipate for at least the next several years.

Research and Development. Research and development expense includes compensation and benefits for the engineering and related staff, expenses for contract engineers, materials to build development and prototype units, fees paid to outside suppliers for subcontracted components and services, supplies consumed, facility related costs, such as computer and network services, and other general overhead costs. Research and development expenses, including $248,000 of noncash research and development expenses for stock-based compensation representing the fair value of vested stock options granted to consultants in exchange for services provided, increased to $65.9 million for the year ended December 31, 2000 from $20.5 million for the year ended December 31, 1999.

The increase of $45.4 million was primarily attributable to the growth of our research and development activities which included a 60% increase in the labor base to approximately 500 employees, 113 test and evaluation residential PEM fuel cell systems (an increase of 61 systems), amortization of capitalized development expenses in the amount of $1.9 million under our joint development programs with Engelhard and Celanese, recorded on our balance sheet under the caption "Prepaid development costs," amortization in the amount of $2.8 million related to the portion of the Gastec purchase price which has been capitalized and recorded on our balance sheet under the caption "Intangible assets" and $5.0 million for in-process research and development expense related to the Gastec purchase.

Noncash General and Administrative. Noncash general and administrative expenses consisting of stock-based compensation, which increased to $7.6 million for the year ended December 31, 2000 from $3.2 million for the year ended December 31, 1999. During the year ended December 31, 2000, we recorded a noncash charge in the amount of $7.4 million related to stock-based compensation for the Companys's former President and CEO. Additionally, we have recorded $169,000 related to performance based options issued to employees.

During the year ended December 31, 1999, we recognized $2.3 million in noncash stock-based compensation expense in connection with our original formation agreements which provided Mechanical Technology Incorporated (MTI) the right to earn noncash credits relating to services it rendered prior to our formation in connection with securing future government contracts. Upon our formation, MTI contributed its fuel cell operations to us and we received the right to these government contracts if ever awarded in the future. When these contracts were awarded to us, MTI earned the noncash credits, entitling it to receive 2,250,000 shares of common stock with a fair value at the time of grant of $2.3 million. Additionally, we recorded $144,000 related to performance based options issued to employees and consultants and an $835,000 charge to operations for the modification of a stock option agreement.

Other General and Administrative. Other general and administrative expenses includes compensation, benefits and related costs in support of our general corporate functions, including general management, finance and accounting, human resources, marketing, information technology and legal services. Other general and administrative expenses increased to $8.6 million for the year ended December 31, 2000 from $6.7 million, which includes a $1.9 million charge for the write-off of deferred rent, for the year ended December 31, 1999. The increase is the result of a charge to operations in the amount of $840,000 related to in-kind services provided by Southern California Gas Company (see "Liquidity and Capital Resources-Southern California Gas Company") combined with increased personnel cost and general expenses associated with expanding operations.

In June 1999, the Company entered into a real estate purchase agreement with MTI to acquire our current facility, a portion of which we previously leased from them. As a result, we wrote off deferred rent expense in the amount of $1.9 million for the year ended December 31, 1999.

Interest Expense. Interest expense consists of interest on a long-term obligation related to a real estate purchase agreement with MTI in June 1999, and interest paid on capital lease obligations. Interest expense was $363,000 for the year ended December 31, 2000 compared to $190,000 for the year ended December 31, 1999.

Interest Income. Interest income consists of interest earned on our cash and cash equivalents and increased to $8.2 million for the year ended December 31, 2000 from $3.1 million for the same period last year. The increase was due to interest earned on higher balances of cash and cash equivalents available throughout 2000, which is a result of our initial public offering of common stock and the exercise of warrants and stock purchase commitments by our existing stockholders during the fourth quarter of 1999.

Equity in losses of affiliates. Equity in losses of affiliates increased to $2.3 million for the year ended December 31, 2000 from $1.5 million last year.

Equity in losses of affiliates consists of our proportionate share of the losses of GEFCS and AEI combined with goodwill amortization on those investments, which we account for under the equity method of accounting (see "Liquidity and Capital Resources - GE Fuel Cell Systems"). During the year ended December 31, 2000 we recorded $759,000 as our proportionate share of the losses of GEFCS and AEI and $1.6 million related to goodwill amortization on those investments.

Income Taxes. We did not report a benefit for federal and state income taxes in the financial statements as the deferred tax asset generated from our net operating loss has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carryforward may not be realized.

We were taxed as a partnership prior to November 3, 1999, the effective date of our merger into a C corporation, and the federal and state income tax benefits of our losses were recorded by our stockholders. Effective on November 3, 1999, we began accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes."

Comparison of the Year Ended December 31, 1999 and December 31, 1998.

Revenues. Our revenues during this period were derived primarily from cost reimbursement government contracts relating to the development of PEM fuel cell technology . Total revenues increased to $11.0 million for the year ended December 31, 1999 from $6.5 million for the year ended December 31, 1998. The increase is the result of government contract activity in 1999 that was not in place in 1998, as activity began on these contracts during 1999, combined with the contract revenue from the delivery of PEM fuel cells and related engineering and testing support services for other customers. All of these contracts provide for the partial recovery of direct and indirect costs from the specified government agency, generally requiring us to absorb from 25% to 50% of contract costs incurred. As a result, we will report losses on these contracts as well as any future government contracts awarded.

Cost of revenues. Cost of contract revenue includes compensation and benefits for the engineering and related support staff, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies used and other directly allocable general overhead costs allocated to specific government contracts. Cost of contract revenue was $15.5 million for the year ended December 31, 1999, as compared to $8.9 million for the year ended December 31, 1998. The increase in contract costs was related to the additional government grant activity, combined with the additional staff and related support costs necessary to earn the additional contract revenue. The result was a loss on contracts of $4.5 million for the year ended December 31, 1999 compared to a loss on contracts of $2.3 million for the year ended December 31, 1998.

We expect the cost to produce our initial systems will be higher than their sales price under the terms of our arrangements with our two distributors, GEFCS and DTE and expect to continue to experience costs in excess of product revenues until we achieve higher production levels, which we do not anticipate for at least the next several years.

Research and Development. Research and development expense includes compensation and benefits for the engineering and related staff, expenses for contract engineers, materials to build prototype units, fees paid to outside suppliers for subcontracted components and services, supplies consumed, facility related costs, such as computer and network services and other general overhead costs. Research and development expenses increased to $20.5 million for the year ended December 31, 1999 from $4.6 million for the year ended December 31, 1998. The increase was a result of the growth of our research and development activities focused on residential PEM fuel cell systems.

Noncash General and Administrative. Noncash general and administrative expenses, consisting of stock-based compensation, increased to $3.2 million for the year ended December 31, 1999 from $212,000 for the year ended December 31, 1998.

During the year ended December 31, 1999, we recognized $2.3 million in noncash stock-based compensation expense in connection with our original formation agreements which provided MTI the right to earn noncash credits relating to services it rendered prior to our formation in connection with securing future government contracts. Upon our formation, MTI contributed its fuel cell operations to us and we received the right to these government contracts if ever awarded in the future. When these contracts were awarded to us, MTI earned the noncash credits, entitling it to receive 2,250,000 shares of common stock with a fair value at the time of grant of $2.3 million. Additionally, we recorded $144,000, compared to $212,000 in 1998, related to performance based options issued to employees and $835,000 related to the modification of a stock option agreement.

Other General and Administrative. Other general and administrative expenses includes compensation, benefits and related costs in support of our general corporate functions, including general management, finance and accounting, human resources, business development, information and legal services. Other general and administrative expenses increased to $6.7 million for the year ended December 31, 1999 from $2.5 million for the year ended December 31, 1998. The increase was due to a $1.9 million charge for the write-off of deferred rent and an increase in compensation, benefits and related costs in support of the Company's overall growth.

In June 1999, we entered into a real estate purchase agreement with MTI to acquire our current facility, a portion of which we previously leased from them. As a result, we wrote off deferred rent expense in the amount of $1.9 million. We originally recorded $2.0 million for deferred rent in October 1998, representing the value of a ten-year lease agreement with MTI at favorable lease rates (see "Liquidity and Capital Resources - Capital Contributions").

Interest Expense. Interest expense of approximately $190,000 consists of interest paid on a long-term obligation related to a real estate purchase agreement with MTI (see "Liquidity and Capital Resources - Capital Contributions") and interest paid on capital lease obligations.

Interest Income. Interest income consists of interest earned on our cash and cash equivalents, and increased to $3.1 million for the year ended December 31, 1999 from $93,000 for the same period in 1998. The increase was due to interest earned on higher balances of cash and cash equivalents available during the fourth quarter of 1999 as a result of our initial public offering of common stock and the exercise of warrants and stock purchase commitments by our existing stockholders (see "Liquidity and Capital Resources").

Equity in Losses of Affiliates. Equity in losses of affiliates in the amount of $1.5 million consist of our proportionate share of the losses of

GEFCS ($441,000) and goodwill amortization ($1,031,000) on the investment, which we account for under the equity method of accounting (see "Liquidity and Capital Resources - GE Fuel Cell Systems").

Income Taxes. No benefit for federal and state income taxes has been reported in the financial statements as the deferred tax asset generated from our net operating loss has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carryforward may not be realized.

We were taxed as a partnership prior to November 3, 1999, the effective date of our merger into a C corporation, and the federal and state income tax benefits of our losses were recorded by our stockholders. Effective on November 3, 1999, we began accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes."

Liquidity and Capital Resources

Summary

The Company's cash requirements depend on numerous factors, including, but not limited to, completion of its product development activities, ability to commercialize its fuel cell systems, and market acceptance of its systems. The Company expects to devote substantial capital resources to continue development programs, establish a manufacturing infrastructure and develop manufacturing processes. The Company believes it will need to raise additional funds to achieve commercialization of its product. However, the Company does not know whether it will be able to secure additional funding, or funding on acceptable terms, to pursue its commercialization plans. If additional funds are raised through the issuance of equity securities, the percentage ownership of our then current stockholders will be reduced. If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit operations in a manner inconsistent with its development and commercialization plans, which could affect operations in future periods. The Company anticipates incurring substantial additional losses over at least the next several years and believes that its current cash balances will provide sufficient capital to fund operations for at least the next twelve months.

We have financed our operations through December 31, 2000, primarily from the sale of equity, which has provided cash in the amount of $228.0 million. As of December 31, 2000, we had unrestricted cash, cash equivalents and marketable securities totaling $86.7 million and working capital was approximately $83.4 million. As a result of our purchase of real estate from MTI, we have escrowed $5.6 million in cash to collateralize the debt assumed on the purchase.

During the year ended December 31, 2000, net cash used in operating activities was $65.5 million, including $5.0 million related to the write off of in-process research and development related to our acquisition of intellectual property acquired from Gastec. Cash used in investing activities during the year ended December 31, 2000, was $51.3 million, including $28.2 million for the purchase of marketable securities. Excluding the purchase of marketable securities, cash used in investing activities was $23.1 million consisting of $12.0 million for the purchase of property, plant and equipment, $9.6 million representing the purchase of intangible assets related to the acquisition of intellectual property from Gastec and $1.5 million for the purchase of a 28% ownership interest in AEI.

Since inception, net cash used in operating activities has been $98.0 million and cash used in investing activities has been $64.9 million, including $28.2 million for the purchase of marketable securities.

Initial Public Offering

In November 1999, the Company completed an Initial Public Offering of 6,782,900 shares of common stock which includes additional shares purchased pursuant to exercise of the underwriters' overallotment option. We received proceeds of $93.0 million, which was net of $8.7 million of expenses and underwriting discounts relating to the issuance and distribution of the securities.

Capital Contributions

Plug Power was formed in June 1997 as a joint venture between MTI and Edison Development Corporation (EDC), a DTE Energy Company. At formation, MTI contributed assets related to its fuel cell program, including intellectual property, 22 employees, equipment, and the right to receive government contracts for research and development of PEM fuel cell systems, if awarded. EDC contributed or committed to contribute $9.0 million in cash, expertise in distributed power generation and marketplace presence to distribute and sell stationary fuel cell systems.

In January 1999, we entered into an agreement with MTI and EDC pursuant to which we had the right to require EDC and MTI to make capital contributions of $22.5 million each, an aggregate of $45 million, through December 31, 2000. In September 1999, we made a capital call of $4.0 million, and MTI and EDC each contributed $2.0 million in cash in exchange for 266,667 shares of common stock. Both MTI and EDC contributed the remaining $41.0 million immediately prior to the offering in exchange for an aggregate of 5,466,666 shares of common stock.

In June 1999, we entered into a real estate purchase agreement with MTI to acquire approximately 36 acres of land, two commercial buildings, and a residential building located in Latham, New York. This property is the location of our current facilities including a newly constructed production facility. As part of the real estate transaction we assumed a $6.2 million letter of credit issued by KeyBank National Association for the express purpose of servicing $6.2 million of debt related to Industrial Development Revenue Bonds issued by the Town of Colonie Industrial Development Agency. As consideration for the purchase, we issued 704,315 shares of common stock to MTI, valued at $6.67 per share. In connection with this transaction we wrote off deferred rent expense, in the amount of $1.9

million, related to a 10-year facilities lease on one of the purchased buildings, at a favorable lease rate.

Also in June 1999, EDC purchased 704,315 shares of common stock for $4.7 million in cash under provisions of our original formation documents that allowed EDC and MTI to maintain equal ownership percentage in Plug Power.

As of December 31, 2000, MTI had made aggregate cash contributions of $27.0 million plus noncash contributions of $14.2 million, while EDC had made aggregate cash contributions of $41.2 million.

GE Fuel Cell Systems

In February 1999, we entered into an agreement with GE MicroGen, Inc. (formerly GE On-Site Power, Inc.) to create GEFCS, a joint venture owned 75% by GE MicroGen and 25% by Plug Power, which is dedicated to marketing, selling, installing, and servicing Plug Power residential and small commercial stationary fuel cell systems under 35kW on a worldwide basis (other than in the states of Illinois, Indiana, Michigan and Ohio).

In connection with the formation of GEFCS, we issued 2,250,000 shares of our common stock to GE MicroGen in exchange for a 25% interest in GEFCS. Of these, 750,000 shares vested immediately and the remaining 1,500,000 shares vested in August 1999. As of the date of issuance of such shares, we capitalized $11.3 million, the fair value of the shares issued, under the caption "Investment in affiliate" in our financial statements. We also issued a warrant to GE MicroGen to purchase 3,000,000 additional shares of common stock at a price of $12.50 per share which was exercised by GE MicroGen immediately prior to our initial public offering, for a total exercise price of $37.5 million in cash.

The Company has agreed to purchase at least $7.5 million of technical support services over the next two years.

Southern California Gas Company

In April 1999, Southern California Gas Company (SCGC) purchased 1,000,000 shares of common stock for $6.7 million and agreed to spend $840,000 for market research and services related to distributed power generation technologies, including PEM fuel cell systems. In the event SCGC does not expend these amounts by April, 2002, up to 111,851 previously issued shares may be returned. Additionally, SCGC received warrants to purchase an additional 350,000 shares of common stock at an exercise price of $8.50 per share which was exercised by SCGC immediately prior to our initial public offering, for a total exercise price of $3.0 million in cash.

During the year ended December 31, 2000, SCGC fulfilled its obligation to provide market research and services and the Company recorded a charge to operations in the amount of $840,000.

Private Investors

In February 1999, two investors, including Michael J. Cudahy, a former director of Plug Power, purchased 1,500,000 shares of common stock for a total of $10.0 million. In addition, Mr. Cudahy received a warrant to purchase 400,000 shares of common stock at a price of $8.50 per share which was exercised by Mr. Cudahy immediately prior to our initial public offering, for a total exercise price of $3.4 million in cash.

In April 1999, an unrelated investor purchased 299,850 common shares for $2.0 million.

Grant Agreement

The Company was awarded and received $1.0 million under a government grant. The grant is for the express purpose of promoting employment. Terms of the grant require the Company meet certain employment criteria, as defined, over a five year period. If the Company fails to meet the specified criteria, the Company shall repay the unearned portion of the grant.

Forward-looking Statements

This Annual Report on Form 10-K and the following discussion contain statements which are not historical facts and are considered forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements contain projections of our future results of operations or of our financial position or state other forward-looking information. In some cases you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words. You should not rely on these forward-looking statements because our actual results may differ materially from those indicated by these forward-looking statements as a result of a number of important factors. These factors include, but are not limited to, our ability to develop a commercially viable fuel cell system; the cost and timing of developing our fuel cell systems; market acceptance of our fuel cell systems; our reliance on our relationship with General Electric; competitive factors, such as price competition, competition from other power technologies and competition from other fuel cell companies; the cost and availability of components and parts for our fuel cell systems; the ability to raise and provide the necessary capital to develop, manufacture and market our fuel cell systems; the cost of complying with current and future governmental regulations; and other risks and uncertainties discussed under Item I - Business under the caption "Risk Factors."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Item 8. Financial Statements and Supplementary Data

The index to the Financial Statements of the Company is included in Item 14, and the financial statements follow the list of exhibits to this Annual Report on Form 10-K.

Selected quarterly financial data is included in the Notes to Consolidated Financial Statement under "Quarterly Financial Data (Unaudited)".

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Directors

Incorporated herein by reference is the information appearing under the caption "Information Regarding Directors" in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders.

(b) Executive Officers

Incorporated herein by reference is the information appearing under the caption "Executive Officers" in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders.

Item 11. Executive Compensation

Incorporated herein by reference is the information appearing under the caption "Executive Compensation" in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated herein by reference is the information appearing under the caption "Principal Stockholders" in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions

Incorporated herein by reference is the information appearing under the caption "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Stockholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

14(a)(1) Financial Statements

The financial statements and notes are listed in the Index to Financial Statements on page F-1 of this report.

14(a)(2) Financial Statement Schedules

Schedule of valuation and qualifying
accounts and reserves.

		Additions			
Description	Balance January 1, 2000	Charged To costs and expenses	Charged to other accounts	Deductions	Balance at December 31, 2000
Income taxes valuation allowance	$(447,000)	$(35,171,500)	$(11,413,700)	-	$(47,032,200)

14(a)(3) Exhibits

Exhibits are as set forth in the "List of Exhibits" which immediately precedes the Index to Financial Statements on page F-1 of this report.

14(b) Reports on Form 8-K

None.

14(c) Exhibits

Exhibits are as set forth in the "List of Exhibits" which immediately precedes the Notes to the Financial Statements and the exhibits filed.

14(d) Other Financial Statements

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLUG POWER INC.

Date: March 30, 2001

By: /s/ ROGER SAILLANT
Roger Saillant, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROGER SAILLANT Roger Saillant	President, Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2001
/s/ DAVID A. NEUMANN David A. Neumann	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	March 30, 2001
/s/ DOUGLAS T. HICKEY Douglas T. Hickey	Director	March 30, 2001
/s/ ANTHONY F. EARLEY, JR. Anthony F. Earley, Jr.	Director	March 30, 2001
/s/ LARRY G. GARBERDING Larry G. Garberding	Director	March 30, 2001
/s/ GEORGE C. MCNAMEE George C. McNamee	Director	March 30, 2001
/s/ JOHN G. RICE John G. Rice	Director	March 30, 2001
/s/ WALTER L. ROBB Walter L. Robb	Director	March 30, 2001
/s/ JOHN M. SHALIKASHVILI John M. Shalikashvili	Director	March 30, 2001

List of Exhibits

Certain exhibits indicated below are incorporated by reference to documents of Plug Power on file with the Commission. Exhibits nos. 10.25, 10.28, 10.29, 10.30, 10.31, 10.32, 10.33, 10.34, 10.41, 10.38, 10.42 and 10.43 represent the management contracts or compensation plans filed pursuant to Item 14(c) of the Form 10-K.

Exhibit No. and Description

2.1 Agreement and Plan of Merger by and between Plug Power and Plug Power, LLC, a Delaware limited liability company, dated as of October 7, 1999. (1)

3.1 Amended and Restated Certificate of Incorporation of Plug Power. (2)

3.2 Amended and Restated By-laws of Plug Power. (2)

3.3 Certificate of Amendment to Amended and Restated Certificate of Incorporation of Plug Power

4.1 Specimen certificate for shares of common stock, $.01 par value, of Plug Power. (1)

10.1 Amended and Restated Limited Liability Company Agreement of GE Fuel Cell Systems, LLC, dated February 3, 1999, between GE On-Site Power, Inc. and Plug Power, LLC. (1)

10.2 Contribution Agreement, dated as of February 3, 1999, by and between GE On-Site Power, Inc. and Plug Power, LLC. (1)

10.3 Trademark and Trade Name Agreement, dated as of February 2, 1999, between General Electric Company and GE Fuel Cell Systems, LLC. (1)

10.4 Trademark Agreement, dated as of February 2, 1999, between Plug Power LLC and GE Fuel Cell Systems, LLC. (1)

10.5 Distributor Agreement, dated as of February 2, 1999, between GE Fuel Cell Systems, LLC and Plug Power, LLC. (1)

10.6 Side letter agreement, dated February 3, 1999, between General Electric Company and Plug Power LLC. (1)

10.7 Mandatory Capital Contribution Agreement, dated as of January 26, 1999, between Edison Development Corporation, Mechanical Technology Incorporated and Plug Power, LLC and amendments thereto, dated August 25, 1999 and August 26, 1999. (1)

10.8 LLC Interest Purchase Agreement, dated as of February 16, 1999, between Plug Power, LLC and Michael J. Cudahy. (1)

10.9 Warrant Agreement, dated as of February 16, 1999, between Plug Power, LLC and Michael J. Cudahy and amendment thereto, dated July 26, 1999. (1)

10.10 LLC Interest Purchase Agreement, dated as of February 16, 1999, between Plug Power, LLC and Kevin Lindsey. (1)

10.11 LLC Interest Purchase Agreement, dated as of April 1, 1999, between Plug Power, LLC and Antaeus Enterprises, Inc. (1)

10.12 LLC Interest Purchase Agreement, dated as of April 9, 1999, between Plug Power, LLC and Southern California Gas Company. (1)

10.13 Warrant Agreement, dated as of April 9, 1999, between Plug Power, LLC and Southern California Gas Company and amendment thereto, dated August 26, 1999. (1)

10.14 Agreement, dated as of June 26, 1997, between the New York State Energy Research and Development Authority and Plug Power LLC, and amendments thereto dated as of December 17, 1997 and March 30, 1999. (1)

10.15 Agreement, dated as of January 25, 1999, between the New York State Energy Research and Development Authority and Plug Power LLC. (1)

10.16 Agreement, dated as of September 30, 1997, between Plug Power LLC and the U.S. Department of Energy. (1)

10.17 Cooperative Agreement, dated as of September 30, 1998, between the National Institute of Standards and Technology and Plug Power, LLC, and amendment thereto dated May 10, 1999. (1)

10.18 Joint venture agreement, dated as of June 14, 1999 between Plug Power, LLC, Polyfuel, Inc., and SRI International. (1)

10.19 Cooperative Research and Development Agreement, dated as of February 12, 1999, between Plug Power, LLC and U.S. Army Benet Laboratories. (1)

10.20 Nonexclusive License Agreement, dated as of April 30, 1993, between Mechanical Technology Incorporated and the Regents of the University of California. (1)

10.21 Development Collaboration Agreement, dated as of July 30, 1999, by and between Joh. Vaillant GMBH. U. CO. and Plug Power, LLC. (1)

10.22 Agreement of Sale, dated as of June 23, 1999, between Mechanical Technology, Incorporated and Plug Power LLC. (1)

10.23 Assignment and Assumption Agreement, dated as of July 1, 1999, between the Town of Colonie Industrial Development Agency, Mechanical Technology, Incorporated, Plug Power, LLC, KeyBank, N.A., and First Albany Corporation. (1)

10.24 Replacement Reimbursement Agreement, dated as of July 1, 1999, between Plug Power, LLC and KeyBank, N.A. (1)

10.25 1997 Membership Option Plan and amendment thereto dated September 27, 1999. (1)

10.26 Trust Indenture, dated as of December 1, 1998, between the Town of Colonie Industrial Development Agency and Manufacturers and Traders Trust Company, as trustee. (1)

10.27 Distribution Agreement, dated as of June 27, 1997, between Plug Power, LLC and Edison Development Corporation and amendment thereto dated September 27, 1999. (1)

10.28 Agreement, dated as of June 27, 1999, between Plug Power, LLC and Gary Mittleman. (1)

10.29 Agreement, dated as of June 8, 1999, between Plug Power, LLC and Louis R. Tomson. (1)

10.30 Agreement, dated as of August 6, 1999, between Plug Power, LLC and Gregory A. Silvestri. (1)

10.31 Agreement, dated as of August 12, 1999, between Plug Power, LLC and William H. Largent. (1)

10.32 Agreement, dated as of August 20, 1999, between Plug Power, LLC and Dr. Manmohan Dhar. (1)

10.33 1999 Stock Option and Incentive Plan. (1)

10.34 Employee Stock Purchase Plan. (1)

10.35 Agreement, dated as of August 27, 1999, by Plug Power, LLC, Plug Power Inc., GE On-Site Power, Inc., GE Power Systems Business of General Electric Company, and GE Fuel Cell Systems, L.L.C. (1)

10.36 Registration Rights Agreement to be entered into by the Registrant and the stockholders of the Registrant. (2)

10.37 Registration Rights Agreement to be entered into by Plug Power, L.L.C. and GE On-Site Power, Inc. (2)

10.38 Agreement dated September 11, 2000, between Plug Power Inc. and Gary Mittleman. (3)

10.39 Amendment No. 1 to Distributor Agreement dated February 2, 1999, between GE Fuel Cell Systems L.L.C. and Plug Power Inc. (3)

10.40 Amendment to Distributor Agreement dated February 2, 1999, made as of July 31, 2000, between GE Fuel Cell Systems L.L.C. and Plug Power Inc.

(3)

10.41 Agreement, dated as of December 15, 2000, between Plug Power Inc. and Roger Saillant.

10.42 Agreement dated February 13, 2001, between Plug Power Inc. and William H. Largent.

10.43 Amendment dated September 19, 2000 to agreement, dated as of August 6, 1999, between Plug Power Inc. and Gregory A. Silvestri.

10.44 Joint Development Agreement, dated as of June 2, 2000, between Plug Power Inc. and Engelhard Corporation

23.1 Consent of PricewaterhouseCoopers LLP

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (File Number 333-86089).

(2) Incorporated by reference to the Company's Form 10-K for the period ending December 31, 1999.

(3) Incorporated by reference to the Company's third quarter report on Form 10-Q for the third quarter ended September 30, 2000.

PLUG POWER INC. and Subsidiary
(A Development Stage Enterprise)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Accountants

To the Board of Directors and Stockholders of Plug Power Inc. and Subsidiary:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) present fairly, in all material respects, the financial position of Plug Power Inc. and subsidiary (a development stage enterprise) at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Albany, New York
February 9, 2001

PLUG POWER INC. and Subsidiary
(A Development Stage Enterprise)

Consolidated Balance Sheets

Assets	December 31, 2000	December 31, 1999
Current assets:		
Cash and cash equivalents	$ 58,511,563	$ 171,496,286
Restricted cash	290,000	275,000
Marketable securities	28,221,852	-
Accounts receivable	1,415,049	5,212,943
Inventory	2,168,006	304,711
Prepaid development costs	2,041,668	-
Other current assets	694,178	124,380
Total current assets	93,342,316	177,413,320
Restricted cash	5,310,274	5,600,274
Property, plant and equipment, net	32,290,492	23,333,791
Intangible asset	6,827,066	-
Investment in affiliates	9,778,784	9,778,250
Prepaid development costs	2,513,093	-
Other assets	767,193	-
Total assets	$ 150,829,218	$ 216,125,635
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,479,031	$ 4,644,496
Accrued expenses	5,934,529	3,004,126
Deferred grant revenue	200,000	200,000
Current portion of capital lease obligation and long-term debt	377,201	353,175
Total current liabilities	9,990,761	8,201,797
Long-term debt	5,310,274	5,600,274
Deferred grant revenue	600,000	800,000
Capital lease obligation	30,346	117,030
Other liabilities	767,193	-
Total liabilities	16,698,574	14,719,101
Commitments and contingencies (see footnote 13)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.01 par value per share; 245,000,000 shares authorized at December 31, 2000 and 95,000,000 shares authorized at December 31, 1999; 43,795,513 shares issued and outstanding, December 31, 2000 and 43,015,508 shares issued and outstanding, December 31, 1999	437,955	430,155
Paid-in capital	268,923,203	249,964,994
Deficit accumulated during the development stage	(135,230,514)	(48,988,615)
Total stockholders' equity	134,130,644	201,406,534
Total liabilities and stockholders' equity	$ 150,829,218	$ 216,125,635

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

PLUG POWER INC. and Subsidiary
(A Development Stage Enterprise)

Consolidated Statements of Operations

For the years ended December 31, 2000, 1999 and 1998 and cumulative amounts from inception

	December 31, 2000	December 31, 1999	December 31, 1998	Cumulative Amounts from Inception
Contract revenue	$ 8,378,200	$ 11,000,344	$ 6,541,040	$ 27,113,114
Cost of contract revenue	13,055,437	15,497,837	8,863,845	38,643,562
Loss on contracts	(4,677,237)	(4,497,493)	(2,322,805)	(11,530,448)
In-process research and development	4,984,000	-	-	9,026,640
Research and development expense:				
Noncash stock-based compensation	247,782	-	-	247,782
Other research and development	65,656,604	20,506,156	4,632,729	92,096,366
General and administrative expense:				
Noncash stock-based compensation	7,595,073	3,228,800	212,000	11,035,873
Other general and administrative	8,572,256	6,699,482	2,541,645	18,443,416
Interest expense	362,996	189,586	-	552,582
Operating loss	(92,095,948)	(35,121,517)	(9,709,179)	(142,933,107)
Interest income	8,181,265	3,123,955	93,216	11,501,559
Loss before equity in losses of affiliates	(83,914,683)	(31,997,562)	(9,615,963)	(131,431,548)
Equity in losses of affiliates	(2,327,216)	(1,471,750)	-	(3,798,966)
Net loss	$ (86,241,899)	$ (33,469,312)	$ (9,615,963)	$(135,230,514)
Loss per share:				
Basic and diluted	$ (1.99)	$ (1.27)	$ (0.71)	
Weighted average number of common shares outstanding	43,308,158	26,282,705	13,616,986	

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

PLUG POWER INC. and Subsidiary
(A Development Stage Enterprise)

Consolidated Statements of Cash Flows

For the years ended December 31, 2000, 1999 and 1998 and cumulative amounts from inception

	December 31, 2000	December 31, 1999	December 31, 1998	Cumulative Amounts from Inception
Cash Flows From Operating Activities:				
Net loss	$ (86,241,899)	$ (33,469,312)	$ (9,615,963)	$(135,230,514)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	3,037,818	1,352,186	499,142	5,076,854
Equity in losses of affiliates	2,327,216	1,471,750	-	3,798,966
Amortization of intangible asset	2,797,434	-	-	2,797,434
In-kind services	840,000	-	500,000	1,340,000
Stock-based compensation	8,096,779	3,228,800	212,000	11,537,579
Amortization of deferred grant revenue	(200,000)	-	-	(200,000)
Amortization of deferred rent	-	100,000	50,000	150,000
Write-off of deferred rent	-	1,850,000	-	1,850,000
In-process research and development	-	-	-	4,042,640
Changes in assets and liabilities :				
Accounts receivable	3,797,894	(4,612,988)	203,602	(1,415,049)
Inventory	(1,863,295)	(290,064)	18,903	(2,168,006)
Due from investor	-	685,306	(416,061)	286,492
Prepaid development costs	445,239	-	-	445,239
Other assets	(294,798)	(102,466)	-	(397,264)
Accounts payable and accrued expenses	1,764,938	5,334,376	1,081,587	9,365,452
Deferred grant revenue	-	1,000,000	-	1,000,000
Due to investor	-	(286,492)	-	(286,492)
Net cash used in operating activities	(65,492,674)	(23,738,904)	(7,466,790)	(98,006,669)
Cash Flows From Investing Activities:				
Purchase of property, plant and equipment	(11,994,519)	(10,788,262)	(2,370,269)	(25,514,568)
Purchase of intangible asset	(9,624,500)	-	-	(9,624,500)
Investment in affiliate	(1,500,000)	-	-	(1,500,000)
Marketable securities	(28,221,852)	-	-	(28,221,852)
Cash used in investing activities	(51,340,871)	(10,788,262)	(2,370,269)	(64,860,920)
Cash Flows From Financing Activities:				
Proceeds from issuance of common stock	-	115,242,782	10,750,000	130,742,782
Proceeds from initial public offering, net	-	94,611,455	-	94,611,455
Stock issuance costs	-	(1,639,577)	-	(1,639,577)
Proceeds from stock option exercises	4,201,480	41,907	-	4,243,387
Cash placed in escrow	-	(5,875,274)	-	(5,875,274)
Principal payments on capital lease obligations	(77,658)	(65,963)	-	(143,621)
Principal payments on long-term debt	(275,000)	(285,000)	-	(560,000)
Net cash provided by financing activities	3,848,822	202,030,330	10,750,000	221,379,152
(Decrease) increase in cash and cash equivalents	(112,984,723)	167,503,164	912,941	58,511,563
Cash and cash equivalents, beginning of period	171,496,286	3,993,122	3,080,181	-
Cash and cash equivalents, end of period	$ 58,511,563	$ 171,496,286	$ 3,993,122	$ 58,511,563

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

PLUG POWER INC. and Subsidiary
(A Development Stage Enterprise)

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 2000 , 1999 and 1998

	Common stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Amount			
Balance, January 1, 1998	9,500,000	$ 95,000	$ 9,405,000	$ (5,903,340)	$ 3,596,660
Capital contributions	7,650,000	76,500	13,173,500		13,250,000
Deferred rent expense			(2,000,000)		(2,000,000)
Amortization of deferred rent expense			50,000		50,000
Stock based compensation			212,000		212,000
Net loss				(9,615,963)	(9,615,963)
Balance, December 31, 1998	17,150,000	171,500	20,840,500	(15,519,303)	5,492,697
Initial public offering - net	6,782,900	67,829	92,904,049		92,971,878
Capital contributions	19,058,480	190,585	119,749,979		119,940,564
Stock issued for equity in affiliate			11,250,000		11,250,000
Stock based compensation			3,228,800		3,228,800
Amortization of deferred rent expense			100,000		100,000
Write-off deferred rent expense			1,850,000		1,850,000
Stock option exercises	24,128	241	41,666		41,907
Net loss				(33,469,312)	(33,469,312)
Balance, December 31, 1999	43,015,508	$ 430,155	$ 249,964,994	$ (48,988,615)	$ 201,406,534
Stock issued for equity in affiliate	7,000	70	827,680		827,750
Stock issued for development agreement	104,869	1,048	4,998,952		5,000,000
Stock issued to employees	3,041	31	253,893		253,924
Stock based compensation			7,842,855		7,842,855
Stock option exercises	632,378	6,324	3,786,704		3,793,028
Stock issued under employee stock purchase plan	32,717	327	408,125		408,452
In-kind services			840,000		840,000
Net loss				(86,241,899)	(86,241,899)
Balance, December 31, 2000	43,795,513	$ 437,955	$ 268,923,203	$(135,230,514)	$ 134,130,644

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

Notes to Consolidated Financial Statements

1. Nature of Operations

Plug Power Inc. and Subsidiary (the Company), was originally formed as a joint venture between Edison Development Corporation (EDC), a DTE Energy Company, and Mechanical Technology Incorporated (MTI) in the State of Delaware on June 27, 1997 and succeeded by merger of all of the assets, liabilities and equity of Plug Power, L.L.C. in November 1999. The Company is a development stage enterprise formed to research, develop, manufacture and distribute fuel cells for electric power generation. The consolidated financial statements include the accounts of Plug Power Inc. and its wholly owned subsidiary after elimination of significant intercompany transactions.

2. Initial Public Offering

In November 1999, the Company completed an initial public offering of 6,782,900 shares of common stock, including 782,900 shares pursuant to the underwriters' exercise of their over-allotment option. The Company received proceeds of $93.0 million, which was net of $8.7 million of expenses and underwriting discounts relating to the issuance and distribution of the securities. In connection with this offering, the Company was converted to a C corporation from a limited liability corporation. The financial statements and related footnotes have been restated to present the Company as a C corporation for all periods presented.

3. Liquidity

The Company's cash requirements depend on numerous factors, including, but not limited to, completion of its product development activities, ability to commercialize its fuel cell systems, and market acceptance of its systems. The Company expects to devote substantial capital resources to continue development programs, establish a manufacturing infrastructure and develop manufacturing processes. The Company believes it will need to raise additional funds to achieve commercialization of its product. However, the Company does not know whether it will be able to secure additional funding, or funding on acceptable terms, to pursue its commercialization plans. If additional funds are raised through the issuance of equity securities, the percentage ownership of our then current stockholders will be reduced. If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit operations in a manner inconsistent with its development and commercialization plans, which could affect operations in future periods. The Company anticipates incurring substantial additional losses over at least the next several years and believes that its current cash balances will provide sufficient capital to fund operations for at least the next twelve months.

4. Significant Accounting Policies

Use of estimates:

The financial statements of the Company have been prepared in conformity with 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.

Cash and cash equivalents:

Cash and cash equivalents includes cash on hand and short-term investments with original maturities of three months or less.

The Company has restricted cash in the amount of $5,600,274 which the Company was required to place in escrow to collateralize debt related to its purchase of real estate. The escrowed amount is recorded under the balance sheet captions "Restricted cash."

Marketable securities:

Marketable securities includes investments in corporate debt securities which are carried at fair value. These investments are considered available for sale, and the difference between the cost and the fair value of these securities would be reflected in other comprehensive income and as a separate component of stockholders' equity. There was no significant difference between cost and fair value of these investments at December 31, 2000.

Inventory:

Inventory is stated at lower of average cost or market, and consists of raw materials not yet issued to research projects.

Property, plant and equipment, and long-lived assets:

Property, plant and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives, ranging from 2 to 20 years.

The Company reviews long-lived assets for impairment whenever any events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

Revenue recognition:

The Company's contract revenue is derived from cost reimbursement government contracts which generally require the Company to absorb from 25% to 50% of the total costs incurred. Such contracts require the Company to deliver research and tangible developments in fuel cell technology and system design and prototype fuel cell systems for test and evaluation by the government agency. Revenues are recognized in proportion to the costs incurred. Included in accounts receivable are billed and unbilled work-in-progress on cost reimbursed government contracts. Total estimated cost to complete a contract in excess of the awarded contract amounts are charged to operations during the period such costs are estimated. While the Company's accounting for these contract costs are subject to audit by the sponsoring agency, in the opinion of management, no material adjustments are expected as a result of such audits.

Deferred revenue:

The Company's deferred grant revenue consists of a government grant received to promote employment. The agreement requires that the Company meet certain employment criteria, as defined, over a five year period. If the Company fails to meet the specified criteria, the Company shall repay the unearned portion of the grant. The Company recognized $200,000 in grant revenue for the year ended December 31, 2000.

Recent Accounting Pronouncements:

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 (FIN 44), "Accounting for Certain Transactions Involving Stock Compensation -- an Interpretation of APB Opinion No. 25". FIN 44 clarifies the application of APB Opinion No. 25 including the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non compensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is generally effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after December 15, 1998. The Company has applied the applicable provisions of FIN 44.

In December, 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes certain SEC views in applying generally accepted accounting principles to revenue recognition. The Company adopted SAB 101 in the fourth quarter of 2000 as required, and such adoption did not have a material impact on the Company's financial position, results of operations, or cash flows.

In June 1998, and June 1999 the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of SFAS No. 133." These statements (as amended by SFAS No. 138) establish accounting and reporting standards for derivative instruments and hedging activities. It requires that entities recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The Company adopted SFAS No. 133 on its effective date January 1, 2001 and such adoption did not have a material effect on the Company's financial position, results of operations, or cash flows.

5. Property, Plant and Equipment

Property, plant and equipment at December 31, 2000 and 1999 consists of the following:

	December 31, 2000	December 31, 1999
Land	$ 90,000	$ 90,000
Buildings	14,757,080	14,757,080
Building improvements	5,525,306	2,826,563
Machinery and equipment	16,732,395	7,436,619
	37,104,781	25,110,262
Less accumulated depreciation	(4,814,289)	(1,776,471)
Property, plant and equipment, net	$ 32,290,492	$ 23,333,791

Depreciation expense was $3,037,818, $1,327,187 and $332,476 for the years ended December 31, 2000, 1999 and 1998, respectively.

6. Debt

In connection with the Company's purchase of real estate in July, 1999, the Company assumed a $6.2 million letter of credit issued by KeyBank National Association for the express purpose of servicing $6.2 million of debt related to Industrial Development Revenue Bonds issued by the Town of Colonie Industrial Development Agency in favor of the acquired property. The debt matures in 2013 and accrues interest at a variable rate of interest which was approximately 6.75% at December 31, 2000. Simultaneous with the assumption, the Company was required to escrow $6.2 million to collateralize the debt. This debt also contains a subjective acceleration clause which was waived by the bank through January 1, 2002.

The outstanding balance of the debt as of December 31, 2000 was $5.6 million and the amount of the corresponding escrow requirement as of December 31, 2000 was $5.6 million and is recorded under the balance sheet captions "Restricted cash." Principal payments due on long-term debt are:
2001, $290,000; 2002, $310,000; 2003, $325,000; 2004 $345,000; 2005 and thereafter, $4,330,274. Interest paid was $372,369 and $189,586 for the years ended December 31, 2000 and 1999, respectively.

7. Loss Per Share

Loss per share for the Company is calculated as follows:

	Years Ended December 31,		
	2000	1999	1998
Numerator:			
Net loss	$ (86,241,899)	$ (33,469,312)	$ (9,615,963)
Denominator:			
Weighted average number of common shares	43,308,158	26,282,705	13,616,986

No options or warrants outstanding were included in the calculation of diluted loss per share because their impact would have been anti-dilutive. The calculation excludes 111,851 contingently returnable shares in 1999.

8. Income Taxes

There was no current income tax expense for the years ended December 31, 2000 and 1999. The Company was a Limited Liability Company (LLC) until its merger into Plug Power Inc. effective November 3, 1999. For the LLC period the Company was treated as a partnership for federal and state income tax purposes and accordingly the Company's income taxes or credits resulting from earnings or losses were payable by, or accrued to its members. Therefore, no provision for income taxes has been made prior to November 3, 1999.

Effective November 3, 1999, the Company is taxed as a corporation for Federal and State income tax purposes and the effect of deferred taxes recognized as a result of the change in tax status of the Company have been included in operations. Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates.

The significant components of deferred income tax expense (benefit) for the years ended December 31, 2000 and 1999 are as follows:

	Years ended December 31,	
	2000	1999
Deferred tax expense recognized as a result of change in tax status	$ --	$ 1,739,000
Deferred tax benefit	(6,695,100)	(584,400)
Net operating loss carryforward	(28,476,400)	(1,601,600)
Valuation allowance	35,171,500	447,000
	$ --	$ --

The Company's effective income tax rate differed from the Federal statutory rate as follows:

	Years ended December 31,	
	2000	1999
Federal statutory tax rate	-35.0%	-35.0%
Deferred state taxes, net of federal benefit	-5.0%	--
Effect of LLC losses	--	33.0%
Effect of change in tax status	--	2.0%
Other, net	1.0%	-1.0%
Tax credits	-2.0%	--
Change in valuation allowances	41.0%	1.0%
	0.0%	0.0%

The deferred tax assets and liabilities as of December 31, 2000 and 1999 consist of the following tax effects relating to temporary differences and carryforwards:

	Years ended December 31,	
	2000	1999
Deferred tax assets (liabilities):		
Inventory valuation	$ 920,000	$ 30,000
Stock-based compensation	3,384,700	334,000
Other reserves and accruals	464,200	294,900
Intangible assets	905,100	112,500

	Years ended December 31,	
	2000	1999
Investment in affiliates	254,800	--
Tax credit carryforwards	1,479,100	--
Net operating loss	41,491,700	1,601,600
Property, plant and equipment	(1,867,400)	(1,926,000)
	47,032,200	447,000
Valuation allowance	(47,032,200)	(447,000)
	$ --	$ --

The valuation allowance for the years ended December 31, 2000 and 1999 is approximately $47 million and $447,000, respectively. The increase of approximately $46.6 million relates primarily to the current year net operating loss, including the tax benefit of non-qualified stock option exercises which are recorded as an adjustment to paid in capital. The deferred tax asset has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carryforward may not be realized.

At December 31, 2000, the Company has unused Federal and State net operating loss carryforwards of approximately $103.4 million. The net operating loss carryforwards if unused will begin to expire during the year ended December 31, 2019.

At December 31, 2000, the Company has unused Federal and State tax credit carryforwards of approximately $1,479,000. The Federal and State tax credit carryforwards if unused will begin to expire during the year ended December 31, 2019.

9. Stockholders' Equity

The Company has one class of common stock, par value $.01 per share. Each share of the Company's common stock is entitled to one vote on all matters submitted to stockholders. At the Company's inception, in exchange for EDC's initial cash contribution of $4,750,000, the Company issued 4,750,000 shares to EDC. MTI made noncash contributions of $4,750,000 consisting of in-process research and development ($4,042,640), and certain net assets, in exchange for 4,750,000 shares.

Contributed in-process research and development was early development stage property, which did not and currently does not have commercial viability or any alternative future use and which will require substantial additional expenditures to commercialize. Accordingly, the assigned value was charged to operations at the time the Company was formed.

During the year ended December 31, 1998, EDC and MTI made additional total contributions of $13,250,000 in exchange for 7,650,000 shares. EDC contributed $7,750,000 in cash for 4,950,000 shares. MTI contributed $3,000,000 in cash, $2,000,000 of deferred rent related to a below market lease for office and manufacturing facilities, and $500,000 of in-kind services ($5,500,000 in total) for 2,700,000 shares.

In 1998, MTI purchased options for $191,250, which entitled MTI to acquire 2,250,000 shares by June, 1999 for $2,250,000. In accordance with the original joint venture agreement, MTI could earn noncash credits to be applied toward the purchase price of shares under option. MTI could earn these credits based on the Company obtaining certain defined levels of research contracts. In March

1999, all parties to the agreement mutually agreed that MTI had earned $2,250,000 of noncash credit which was used to acquire 2,250,000 shares.

Accordingly, these shares were issued in March 1999, a charge to operations of $2,250,000 was recorded under the caption "General and Administrative Expense - Noncash stock-based compensation," and $191,250 was returned to MTI in accordance with the terms of the option agreement.

In January 1999, the Company entered into an agreement with MTI and EDC pursuant to which the Company had the right to require MTI and EDC to contribute $7.5 million each in 1999 and $15.0 million each in 2000 in exchange and for which each would receive common stock valued at $7.50 per share. The agreement also permitted MTI and EDC to contribute any funds not previously called by the Company on the termination date of the agreement (the earlier of December 31, 2000 or upon an initial public offering of the Company's shares at a price greater than $7.50 per share) in exchange for shares at a price of $7.50 per share.

In September 1999, the Company made a capital call of $4.0 million, and MTI and EDC each contributed $2.0 million in cash in exchange for 266,667 shares of common stock. In November 1999, MTI and EDC contributed the remaining $41.0 million in exchange for an aggregate of 5,466,666 shares of common stock.

On June 23, 1999, EDC purchased 704,315 shares of the Company's common stock for $4,697,782. Also, the Company entered into a purchase agreement with MTI to acquire approximately 36 acres of land, two commercial buildings and a residential building located in Latham, New York in exchange for 704,315 shares of common stock.

During 1999 MTI and EDC each purchased an additional 300,000 shares of common stock for $1.5 million each.

In February 1999, two investors purchased 1,500,000 shares of common stock for $10.0 million. In addition, one of the investors received a warrant to purchase 400,000 shares at a price of $8.50 per share. These warrants were exercised at the time of the initial public offering.

In April 1999 an investor purchased 299,850 shares of common stock for $2.0 million.

In April 1999, an investor purchased 1,000,000 shares of common stock for $6.7 million. In connection with the purchase agreement, the investor is required to spend an aggregate of $840,000 for market research and related services on behalf of the Company. In the event such amounts are not expended by April, 2002 up to 111,851 of the previously issued shares may be returned to the Company. The Company will account for these services by recording a charge to earnings and a credit to paid in capital as these services are rendered. During 2000 all services were provided. Accordingly, the Company recorded a charge to operations and a credit to paid in capital of $840,000. Additionally, the investor received warrants to purchase an additional 350,000 shares of common stock at an exercise price of $8.50 per share. These warrants were exercised at the time of the initial public offering.

During 2000, the Company recorded a noncash charge in the amount of $7.4 million related to stock-based compensation for the Company's former President and CEO. Additionally, the Company recorded $169,000 related to stock-based compensation.

10. Employee Benefit Plans

Stock Option Plans (the Plans):

Effective July 1, 1997, the Company established a stock option plan to provide employees, consultants, and members of the Board of Directors the ability to acquire an ownership interest in the Company. Options for employees generally vest 20% per year and expire ten years after issuance. Options granted to members of the Board generally vest 50% upon grant and 25% per year thereafter. Options granted to consultants vest one-third on the expiration of the consultant's initial contract term, with an additional one-third vesting on each anniversary thereafter. At December 31, 2000, there were a total of 2,456,877 options granted and outstanding under this plan. Although no further options will be granted under this plan, the options previously granted will continue to vest in accordance with this plan and vested options will be exercisable for shares of common stock.

In August 1999, the Board of Directors and stockholders adopted the 1999 Stock Option and Incentive Plan. At December 31, 2000 there were 2,622,573 options granted and outstanding, and an additional 1,506,059 options available to be issued under the plan. Additionally, the number of shares of common stock available for issuance under the plan will increase by the amount of any forfeitures under the 1999 Stock Option and Incentive Plan and under the 1997 Stock Option Plan. The number of shares of common stock under the plan will further increase January 1 and July 1 of each year by an amount equal to 16.4% of any net increase in the total number of shares of stock outstanding. The 1999 Stock Option and Incentive Plan permits the Company to: grant incentive stock options; grant non-qualified stock options; grant stock appreciation rights; issue or sell common stock with vesting or other restrictions, or without restrictions; grant rights to receive common stock in the future with or without vesting; grant common stock upon the attainment of specified performance goals; and grant dividend rights in respect of common stock.

To date, options granted under the 1999 Stock Option and Incentive Plan have vesting provisions ranging from one year to five years in duration and expire ten years after issuance. These grants may be made to officers, employees, non-employee directors, consultants, advisors and other key persons of the Company.

The following table summarizes information about the stock options outstanding under the Plans at December 31, 2000:

	Outstanding		
Exercise Price Range	Shares	Average Remaining Life	Weighted Average Exercise Price
$ 1.00	1,095,430	7.1	$ 1.00
5.00	362,927	8.0	5.00
6.67	502,480	8.3	6.67
9.44 - 11.00	492,950	8.6	10.87
11.19 - 15.00	1,057,590	8.9	15.20
16.00 - 19.25	316,163	9.8	19.12
20.56 - 49.88	127,300	9.5	41.66
50.06 - 76.19	179,550	9.4	59.49
81.31 - 96.81	831,960	9.1	84.23
106.75 - 140.00	113,100	9.2	114.46
	5,079,450	9.1	$ 25.53

The following table summarizes activity under the Plans:

Option Activity	Number of Shares Subject to Option	Weighted Average Exercise Price per Share
Balance January 1, 1998	1,114,000	$ 1.00
Granted at fair value	460,650	3.09
Granted below fair value	197,000	1.00
Forfeited or terminated	(96,450)	1.03
Balance December 31, 1998	1,675,200	1.57
Granted at fair value	2,047,039	9.39
Forfeited or terminated	(17,396)	7.24
Exercised	(24,128)	1.74
Balance December 31, 1999	3,680,715	5.90
Granted at fair value	2,488,813	49.73
Forfeited or terminated	(457,700)	6.00
Exercised	(632,378)	26.24
Balance December 31, 2000	5,079,450	25.53

At December 31, 2000, 1,506,059 shares of common stock were reserved for issuance under future stock option exercises.

Accounting for Stock-Based Compensation:

The per share weighted average fair value of the options granted during 2000, 1999 and 1998 was $41.65, $7.19 and $0.58, respectively, using the minimum value method of valuing stock options, for the options granted prior to the Company's initial public offering and the Black-Scholes pricing model subsequent to the offering.

The dividend yield was assumed to be zero for all periods. The risk free interest rate ranged from 5.0% to 6.7% in 2000, 5.1% to 6.3% in 1999 and 4.5% to 5.6% in 1998. An expected life of 5 years was assumed for each year. Expected volatility of 127% in 2000 and 114% in 1999 was used in determining fair value under the Black-Scholes pricing model and was excluded using the minimum value method.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for its stock options plans and does not record compensation cost for options granted at fair value. Had the Company determined compensation cost based on fair value in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," net loss would have increased to the pro forma amounts indicated below:

	Year Ended		
	December 31, 2000	December 31, 1999	December 31, 1998
Net loss, as reported	$ (86,241,899)	$ (33,469,312)	$ (9,615,963)
Proforma net loss	(122,667,062)	(34,716,991)	(9,775,441)
Proforma loss per share, basic and diluted	$ (2.83)	$ (1.32)	$ (0.72)

During 1998, the Company awarded 197,000 options to key employees for which issuance was contingent upon the attainment of specified performance objectives. Of those awarded, 87,500 have been forfeited prior to becoming fully vested. The Company recorded a charge to operations for the difference between the exercise price and the fair value of the options at the measurement date in the amount of $168,740, $126,800 and $212,000 for the years ended December 31, 2000, 1999 and 1998, respectively. Additionally, in 1999 the Company modified the terms of certain options, and the impact of this modification resulted in a charge to operations of $835,000.

1999 Employee Stock Purchase Plan:

In 1999, the Company adopted the 1999 Employee Stock Purchase Plan (the Plan) under which employees will be eligible to purchase shares of the Company's common stock at a discount through periodic payroll deductions. The Plan is intended to meet the requirements of Section 423 of the Internal Revenue Code. After the initial period, purchases will occur at the end of six month offering periods at a purchase price equal to 85% of the market value of the Company's common stock at either the beginning of the offering period or the end of the offering period, whichever is lower. The first offering period under the plan began on July 1, 2000 and ended on December 31, 2000. Participants may elect to have from 1% to 10% of their pay withheld for purchase of common stock at the end of the offering period, up to a maximum of $12,500 within any offering period. The Company has reserved 1,000,000 shares of common stock for issuance under the Plan. As of December 31, 2000, the Company has issued 32,717 shares under the Plan.

401(k) Savings & Retirement Plan:

The Company offers a 401(k) Savings & Retirement Plan to eligible employees meeting certain age and service requirements. This plan permits participants to contribute up to 15% of their salary, up to the maximum allowable by the Internal Revenue Service regulations. Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Participants are vested in the Company's matching contribution based on the years of service completed. Participants are fully vested upon completion of four years of service. The Company's expense for this plan was $517,000, $224,000 and $95,000 for years ended December 31, 2000, 1999 and 1998, respectively.

11. Related Party Transactions

On June 27, 1997, the Company entered into a distribution agreement with the EDC. Under the agreement, EDC was appointed the Company's exclusive independent distributor in Michigan, Ohio, Indiana and Illinois to promote and assist in the sale of products developed by the Company, subject to certain terms and conditions.

On June 27, 1997, the Company entered into a management services agreement with MTI to obtain certain services and lease certain facilities for a period of one year. At the expiration of this agreement, the Company extended the existing facilities lease through September 30, 1998. In June 1998, the Company entered into a new facilities lease which commenced on October 1, 1998, and had a term of ten years with an option for an additional five years. Rental expense was $231,000 and $378,000 for the years ended December 31, 1999 and 1998, respectively. As part of the new facilities lease, MTI agreed to reimburse the Company up to $2.0 million for improvements made to the Company's facilities. This lease and the management agreement with MTI have been terminated.

In 1999, the Company entered into a purchase agreement with MTI to acquire approximately 36 acres of land, two commercial buildings and a residential building located in Latham, New York in exchange for 704,315 shares of common stock. In connection with the transaction with MTI, the Company has written off deferred rent expense in the amount of $1,850,000 relating to a 10-year facilities lease associated with the property. Simultaneous with the closing, the Company agreed to lease back to MTI certain office and manufacturing space on a short-term basis through November, 1999.

12. Investment in Affiliates

In February 1999, the Company entered into an agreement with GE MicroGen, Inc. (formerly GE On-Site Power, Inc.), a wholly owned subsidiary of General Electric Co., to create GE Fuel Cell Systems, L.L.C. (GEFCS) a limited liability company created to market and distribute fuel cell systems world-wide. GE MicroGen, Inc. owns 75% of GEFCS and the Company owns 25% of GEFCS. The Company accounts for its interest in GEFCS on the equity method of accounting and adjusts its investment by its proportionate share of income or losses under the caption "Equity in losses of affiliates." GEFCS had revenues (fee income) of approximately $1.4 million for the year ended December 31, 2000 and an operating and net loss of approximately $2.3 million for the year ended December 31, 2000. In connection with the formation of GEFCS, we issued 2,250,000 shares of our common stock to GE MicroGen. As of the date of issuance of such shares, we capitalized $11.3 million, the fair value of the shares issued, under the balance sheet caption "Investment in affiliates". The difference between the amount capitalized and the amount of the underlying equity in net assets of GEFCS is being amortized on a straight line basis over a ten year period. For the years ended December 31, 2000 and 1999, equity in losses of affiliates was $1,690,146 and $1,471,750 including goodwill amortization of $1,125,000 and $1,031,250, respectively.

As part of the agreement, the Company will work closely with General Electric's Corporate Research and Development Center for product development and manufacturing support. GEFCS will market, sell, install and service fuel cells systems, designed and manufactured by the Company, world-wide (with the exception of EDC's exclusive four state territory of Michigan, Ohio, Indiana and Illinois) for residential and small business power applications up to 35kW. During 2000, the Company completed an amendment to its distribution agreement with GEFCS that defines product specifications and delivery schedules for pre-commercial and commercial model introductions. The new agreement allows General Electric to extend the existing 10-year agreement by an additional 5 years.

The Company has agreed to purchase at least $7.5 million of technical support services over the next two years.

In March 2000, the Company acquired a 28% ownership interest in Advanced Energy Incorporated (AEI), (formerly Advanced Energy Systems, Inc.), in exchange for a combination of $1.5 million cash and Plug Power common stock valued at approximately $828,000. The Company accounts for its interest in AEI on the equity method of accounting and adjusts its investment by its proportionate share of income or losses. For the year ended December 31, 2000, AEI had sales of approximately $2.1 million and an operating and net loss of approximately $692,000. For this same period, the Company has recorded equity in losses of affiliate of approximately $637,070 including goodwill amortization of $443,194 representing amortization of the difference between the amount capitalized and the amount of the underlying equity in net assets of AEI.

13. Commitments and Contingencies

Litigation:

The Company has disclosed on a Form 8-K filed January 25, 2000, with the Securities and Exchange Commission, that a legal complaint was filed against the Company, The Detroit Edison Company and EDC alleging the entities misappropriated business and technical trade secrets, ideas, know-how and strategies relating to fuel cell systems and breached certain contractual obligations owed to DCT, Inc. The Company believes that the allegations in the complaint are without merit and is vigorously contesting the litigation. The Company does not believe that the outcome of these actions will have a material adverse effect upon its financial position, results of operations or liquidity; however, litigation is inherently uncertain and there can be no assurances as to the ultimate outcome or effect of this action.

On or about September 14, 2000, a shareholder class action complaint was filed in the federal district court for the Eastern District of New York alleging that the Company and various of its officers and directors violated certain federal securities laws by failing to disclose certain information concerning its products and future prospects. The action was brought on behalf of a class of purchasers of the Company's stock who purchased the stock between February 14, 2000 and August 2, 2000. Subsequently, fourteen additional complaints with similar allegations and class periods were filed. By order dated October 30, 2000, the court consolidated the complaints into one action, entitled Plug Power Inc. Securities Litigation, CV-00-5553(ERK)(RML). By order dated January 25, 2001, the Court appointed lead plaintiffs and lead plaintiffs' counsel. Subsequently, the plaintiffs served a consolidated amended complaint. The consolidated amended complaint extends the class period to begin on October 29, 1999, and alleges claims under Sectons 11, 12 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Exchange Act of 1934, and Rule 10b-5 promulgated thereunder by the Securities & Exchange Commission, 17 C.F.R. 240 10b-5. Plaintiffs allege that the defendants made misleading statements and omissions regarding the state of development of the Company's technology in a registration statement and proxy statement issued in connection with the Company's initial public offering and in subsequent press releases. The Company believes that the allegations in the consolidated amended complaint are without merit and intend to vigorously defend against the claims. The Company does not believe that the outcome of these actions will have a material adverse effect upon its financial position, results of operations or liquidity, however, litigation is inherently uncertain and there can be no assurances as to the ultimate outcome or effect of these actions.

Alliances and development agreements:

Gastec: In February 2000, Plug Power acquired all of Gastec's intellectual property, and certain fixed assets, related to fuel processor development for fuel cell systems capable of producing up to 100 kW of electricity. The total purchase price was $14,800,000, paid in cash. In connection with the transaction, the Company recorded in-process research and development expense in the amount of $4,984,000, fixed assets in the amount of $192,000 and intangible assets in the amount of $9,624,000 (including a trained workforce for $357,000).

The in-process research and development was valued using an income approach which reflects the present value of future avoided costs the Company estimates it would otherwise have spent if it were to acquire the exclusive rights to this technology, for its remaining useful life, from another entity. The Company then discounted the net avoided cost using a 40% discount rate which the Company believes to be consistent with the risk associated this early stage technology. This amount was further adjusted to reflect the technology's stage of completion, of approximately 30%, in order to reflect the value of the in-process research and development attributable to the efforts of the seller up to the date of the transaction. Fixed assets were capitalized at their fair value and will be depreciated over their useful life. In connection with the transaction, the Company acquired the services of employees experienced in the fuel cell industry. Accordingly, the Company has capitalized the estimated cost savings associated with recruiting, relocating and training a similar workforce. The remaining $9,267,000 was capitalized as an intangible asset. This amount together with the value attributable to the trained workforce has been capitalized and is being amortized over 36 months. Through December 31, 2000, the Company has expensed $2.8 million related to amortization of the intangible asset and the trained workforce.

Vaillant: In March 2000, the Company finalized a development agreement with Vaillant Gmbh of Remscheid, Germany (Vaillant), one of Europe's leading heating appliance manufacturers, to develop a combination furnace, hot water heater and fuel cell system that will provide both heat and electricity for the home. Under the agreement, Vaillant will obtain fuel cells and gas-processing components from GEFCS and then produce the fuel cell heating appliances for its customers in Germany, Austria, Switzerland and the Netherlands.

Celanese: In April, 2000, the Company finalized a joint development agreement with Celanese GmbH (formerly AXIVA GmbH), to develop a high temperature membrane electrode unit (MEU). Under the agreement, Plug Power and Celanese will exclusively work together on the development of a high temperature MEU for Plug Power's stationary fuel cell system applications. As part of the agreement Plug Power will contribute an estimated $4.1 million (not to exceed $4.5 million) to fund its share of the development efforts over the next twelve months. As of December 31, 2000, the Company has contributed $1.5 million under the terms of the agreement. In connection with the transaction, the Company has recorded $1.5 million under the balance sheet caption "Prepaid development costs." Through December 31, 2000, the Company has expensed $1.1 million of such costs.

Engelhard: In June 2000, the Company finalized a joint development agreement with Engelhard Corporation for development and supply of advanced catalysts to increase the overall performance and efficiency of the Company's fuel processor - the front end of the fuel cell system. As part of the agreement, over the next three years, the Company will contribute $10 million to fund Engelhard's development efforts and Engelhard will purchase $10 million of the Company's common stock. The agreements also specify rights and obligations for Engelhard to supply product to the Company over the next 10 years.

As of December 31, 2000, the Company has contributed $5 million under the terms of the agreement while Engelhard has purchased $5 million of common stock. In connection with the transaction, the Company has recorded $5 million under the balance sheet caption "Prepaid development costs" and through December 31, 2000, the Company has expensed $820,000 of such costs.

Concentrations of credit risk:

The Company has cash deposits in excess of federally insured limits. The amount of such deposits is approximately $10.2 million at December 31, 2000.

Capital leases:

The Company leases certain equipment under capital lease transactions with an original cost of $261,168, which had a net book value at December 31, 2000 and 1999 of $135,830 and $195,205 respectively, and which is included in machinery and equipment.

Future minimum non-cancelable lease payments are as follows:

2001	$ 94,280
2002	26,763
2003	4,921
	125,964
Less amounts representing interest	(8,417)
	$ 117,547

Employment Agreements:

The Company is party to employment agreements with certain executives which provide for compensation and certain other benefits. The agreements also provide for severance payments under certain circumstances.

14. Quarterly Financial Data
(Unaudited)

	Quarters Ended*				
	December 31, 1999	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Contract revenue	$ 4,299	$ 2,933	$ 2,418	$ 1,548	$ 1,479
Loss on contracts	(1,349)	(966)	(1,074)	(1,074)	(1,143)
Net loss	(8,602)	(17,246)	(18,033)	(28,650)	(22,313)
Loss per share:					
Basic and diluted	(0.23)	(0.40)	(0.42)	(0.66)	(0.51)

* since the Company's initial public offering on November 3, 1999

Exhibit 3.3

CERTIFICATE OF AMENDMENT
OF
THE AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION
OF
PLUG POWER INC.

Plug Power Inc. (hereinafter called the "Company"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law, does hereby certify as follows:

The Board of Directors of the Company has approved, subject to the approval by the shareholders, an amendment to the Company's Amended and Restated Certificate of Incorporation. Pursuant to Section 242 of the Delaware General Corporation Law, the shareholders of the Company duly approved said proposed amendment at the Annual Meeting of Stockholders held on May 24, 2000. The resolution setting forth the amendment is as follows:

RESOLVED: That the Board of Directors deems it advisable and in the best interests of the Company and its stockholders that the first paragraph of Article IV of the Company's Amended and Restated Certificate of Incorporation is hereby deleted and is replaced in its entirety by the following:

"The total number of shares of capital stock which the Corporation shall have authority to issue is Two Hundred and Fifty Million (250,000,000) shares, of which (i) Two Hundred and Forty Five Million (245,000,000) shares shall be Common Stock, par value $.01 per share, and (ii) Five Million (5,000,000) shares shall be undesignated preferred stock, par value $.01 per share (the "Undesignated Preferred Stock")."

IN WITNESS HEREOF, the Company has caused its corporate seal to be affixed hereto and this Certificate of Amendment to be signed by its President this 20th day of May, 2000.

PLUG POWER INC.

/s/ Gary Mittleman
By:_________________________
Gary Mittleman
President and Chief Executive Officer

Exhibit 10.41

EMPLOYMENT AGREEMENT

This AGREEMENT is entered into by and between Plug Power Inc. (the "Company"), and Roger B. Saillant (the "Executive"), effective as of December 15, 2000.

1. Employment Period. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on December 15, 2000 (the "Commencement Date") and ending on the one year anniversary of the Commencement Date (the "Employment Period") unless earlier terminated as provided herein; provided, however, that the Employment Period shall automatically be extended without action by either party for additional one (1) year periods, as of the first anniversary of the Commencement Date and each succeeding anniversary thereof unless the Company or the Executive shall have served written notice to the other party as provided in this Agreement.

2. Terms of Employment.

a) Position and Duties

(i) During the Employment Period, the Executive shall serve in the position and at the location set forth on Exhibit A hereto, or such other executive position(s) appropriate to the Executive's training, qualifications or experience, as the Compensation Committee of the Board of Directors of the Company may from time to time determine are reasonably comparable to the Executive's initial position.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote his full attention and time to the business and affairs of the Company and to use the Executive's reasonable best efforts to: (A) perform such responsibilities in a professional manner, (B) promote the interests of the Company and its subsidiaries, (C) discharge such executive and administrative duties not inconsistent with his position as may be assigned to him by the Board, and (D) serve, without additional compensation, as a director of the Company or as an officer and director of any subsidiary of the Company if elected or appointed as such. It shall not be a violation of this Agreement for the Executive to: (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and/or (C) manage personal investments, so long as such activities do not conflict with or significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") in the initial amount of $300,000. The Annual Base Salary may be revised from time to time. The Annual Base Salary shall be paid in accordance with the Company's normal payroll practices for senior executives subject only to such payroll and withholding deductions as are required by law. The Annual Base Salary shall be paid no less frequently than in equal monthly installments. For purposes of this Agreement, employment and compensation paid by any direct or indirect subsidiary of the Company will be deemed to be employment and compensation paid by the Company.

(ii) Annual Incentive. During the Employment Period, the Executive shall be eligible to receive an annual incentive bonus with a target amount equal to 100 percent of his Annual Base Salary to be determined in accordance with the provisions of a bonus plan adopted by the Board of Directors of the Company (the "Bonus Plan"). Extraordinary performance, as defined by the Compensation Committee of the Board, and the Bonus Plan, can result in a maximum award of up to 200% of Annual Base Salary. Any bonus awarded under such Bonus Plan shall be paid one-third in cash and the remainder in the form of equity (such as options and restricted stock) with a vesting schedule no greater than four years.

(iii) Savings and Retirement Plans. During the Employment Period, the Executive shall be eligible to participate in all savings and retirement plans, practices, policies and programs to the extent applicable generally to other peer executives of the Company and any affiliated entities, and in accordance with the provisions of those plans. Nothing shall require the Company to establish any such plans, practices, policies and/or programs or limit the Company's right, in its sole discretion, to amend or terminate any such plans, practices, policies and/or programs at any time.

(iv) Welfare and Other Benefits Plans. During the Employment Period, the Executive and the Executive's eligible family members shall be entitled to participate in all benefit and executive perquisites under welfare, fringe and other similar benefit plans, practices, policies and programs pursuant to the terms, conditions and eligibility requirements of any such plans, policies, practices and/or programs, which may be provided by the Company and its affiliated entities (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated entities. Nothing contained in this Agreement shall require the Company to establish any such plans, practices, policies and/or programs or limit the Company's right, in its sole discretion, to amend or terminate any such benefit plans, practices and/or programs at any time.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred and submitted by the Executive in accordance with the policies of the Company.

c) Contingent Retirement Benefit. The Company shall establish a funding vehicle on the Commencement Date in an amount equal to the agreed upon lump sum, present value of the difference between (i) the lump sum benefit Executive would have received pursuant to the Ford/Visteon pension plan if he had retired at his normal retirement date in accordance with the provisions of such plan; and (ii) the lump sum benefit Executive is eligible to receive pursuant to such plan based upon his actual retirement date (the "Contingent Retirement Benefit"). In order to calculate the amount of the Contingent Retirement Benefit, the Company shall use an interest rate factor equal to 8%, a life expectancy of 80 years of age and a normal retirement age of 65. This Contingent Retirement Benefit shall vest based on a 5-year cliff vesting schedule. The Contingent Retirement Benefit shall also vest prior to the expiration of the five year period in the event Executive is terminated for any reason other than "Cause" (as defined in Paragraph 3 below) or as a result of Disability (as defined in Paragraph 3 below). The Contingent Retirement Benefit shall also vest prior to the expiration of the five year period in the event Executive terminates his employment for "Good Reason" (as defined below in Paragraph 3 below). Notwithstanding the fact that the Contingent Retirement Benefit shall have vested in accordance with the provisions of this Paragraph 2(c), the Company shall not have any obligation to pay the Contingent Retirement Benefit to the Executive if (i) Executive's "vested equity value" of the Initial Stock Options granted to the Executive pursuant to Paragraph 6 of this Agreement equals or exceeds three times the amount of the Contingent Retirement

Benefit, or (ii) Executive's employment is terminated for "Cause" (as defined in Paragraph 3 of this Agreement). In such cases, the Executive agrees to relinquish all rights to such payment. The "vested equity value" of the Initial Stock Options shall be equal to the market value of the vested number of shares of stock subject to such options, reduced by the Executive's exercise price for such shares, and shall be tested at the time the Contingent Retirement Benefit becomes fully vested in accordance with the provisions of this Paragraph 2(c).

3. Termination of Employment

Notwithstanding any other provisions of this Agreement, the Executive's employment may be terminated upon the occurrence of any event set forth below. All rights and obligations of the parties shall terminate as of the effective date of such termination except as specifically provided herein.

a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. In the event of the Executive's death, the effective date of termination shall be the date of Executive's death. If the Company determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Period, it may give to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the thirtieth day after receipt of such notice by the Executive. For purposes of this Agreement, "Disability" shall mean the Executive's inability to perform his normal duties for the Company for three months or more during any twelve-month period.

b) Cause. The Company may terminate the Executive's employment during the Employment Period for "Cause". For purposes of this Agreement, "Cause" shall mean:

(i) any material breach of this Agreement by the Executive, which breach is not remedied within thirty (30) days after written notice thereof, specifying the nature of such breach in reasonable detail, is given by the Board to the Executive,

(ii) Executive's conviction of a felony or other crime involving moral turpitude,

(iii) any act or omission by the Executive during the Employment Period involving willful malfeasance or gross negligence in the performance of his duties hereunder, and/or

(iv) Executive's failure to follow the reasonable instructions given in good faith by the Board, which failure is not remedied within thirty (30) days after written notice thereof specifying the details of such conduct is given by the Board to the Executive. The effective date of termination for purposes of clause 3(b)(iii) shall be the date of such act and the effective date of termination for purposes of clause 3(b)(ii) shall be the date of such conviction. If Executive does not remedy any condition identified in clause 3(b)(i) and/or 3(b)(iv) within such notice period, then termination shall be deemed to occur 30 days after the date of the notice from the Company. The Executive shall forfeit all right to unearned Annual Base Salary and any bonus accrued pursuant to the Bonus Plan as of the effective date of such termination for Cause.

c) Good Reason.

(i) The Executive's employment may be terminated by the Executive for Good Reason.

(ii) For purposes of this Agreement, prior to any Change in Control (as defined in this Paragraph 3(c)), or after any applicable Window Period (as defined in this Paragraph 3(c)), "Good Reason" shall mean a material breach by the Company of this Agreement after the Executive has given the Company notice of the breach and a reasonable opportunity to cure.

(iii) In the event of any Change in Control, "Good Reason" shall mean that any of the following events has occurred without the Executive's written consent: (i) a demotion in the Executive's status, position or responsibilities which, in his reasonable judgment, does not represent a positive change from his status, position or responsibilities as in effect immediately prior to the Change in Control; (ii) the assignment to the Executive of any duties or responsibilities which, in his reasonable judgment, are inconsistent with such status, position or responsibilities immediately prior to the Change in Control; or any removal of the Executive from or failure to reappoint or reelect him to any of such positions that the Executive had immediately prior to the Change in Control; (iii) a reduction by the Company in the Executive's Annual Base Salary as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company's failure to increase (within twelve (12) months of the Executive's last increase in Annual Base Salary) the Executive's Annual Base Salary after a Change in Control in an amount which at least equals, on a percentage basis, the average percentage increase in base salary for all executive and senior executives of the Company effected in the preceding twelve (12) months; (iv) the relocation of the principal executive offices of the Company to a location more than fifty (50) miles beyond which the office at which Executive performed his duties immediately prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with his business travel obligations at the time of a Change in Control; (v) the failure by the Company to continue in effect any incentive, bonus or other compensation plan in which the Executive participated immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan), to which he has consented, has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue his participation therein, or any action by the Company which would directly or indirectly materially reduce his participation therein; (vi) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by him or to which he was entitled under any of the Company's profit sharing, life insurance, medical, dental, health and accident, or disability plans in which he was participating at the time of a Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive him of any material fringe benefit enjoyed by him or to which he was entitled at the time of the Change in Control, or (vii) the failure of the Company to obtain a satisfactory agreement from any successor or assign of the Company to assume and agree to perform this Agreement. Notwithstanding the foregoing, Executive may only exercise his right to terminate his employment for "Good Reason" pursuant to the provisions of this Paragraph 3(c)(iii) if the Executive's Notice of Termination specifying the event constituting Good Reason pursuant to the provisions of this Paragraph 3(c)(iii) is delivered to the Company within one year of the date of the Change in Control (the "Window Period").

(iv) For purposes of this Agreement, "Change of Control" shall mean the occurrence of any one of the following events:

(A) any "Person," as such term is used in Sections 13(d) and 14(d)

of the Securities Exchange Act of 1934 (the "Act") (other than
(1) the Company, (2) any of its Subsidiaries, (3) any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries, or (4) either of Edison Development Corporation, a Michigan corporation or Mechanical Technology

Incorporated, a New York corporation), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act of such Person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or

(B) persons who, as of the Effective Date, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person's election was approved by or such person was nominated for election by either (1) a vote of at least a majority of the Incumbent Directors or (2) a vote of at least a majority of the Incumbent Directors who are members of a nominating committee comprised, in the majority, of Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(C) the stockholders of the Company shall approve (1) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d- 3 under the Act), directly or indirectly, shares representing in the aggregate more than 50 percent of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (2) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (3) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (A) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to 50 percent or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns 50 percent or more of the combined voting power of all then outstanding Voting Securities, then a "Change of Control" shall be deemed to have occurred for purposes of the foregoing clause (A).

(v) Notwithstanding anything contained in this Agreement to the contrary, if the Executive's employment is terminated before a Change in Control as defined in this Paragraph 3(c) and the Executive reasonably demonstrates that such termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a "Change in Control" and who effectuates a "Change in Control" or (B) otherwise occurred in connection with, or in anticipation of, a "Change in Control" which actually occurs, then for all purposes of this Agreement, the date of a "Change in Control" with respect to the Executive shall mean the date immediately prior to the date of such termination of the Executive's employment.

d) Without Good Reason. This Agreement may be terminated by the Executive, upon sixty (60) days' prior notice to the Company, in the absence of "Good Reason". In such event, the effective date of termination shall be the date set forth in such notice.

e) Without Cause. This Agreement may be terminated by the Company, without Cause, upon sixty (60) days prior notice to the Executive. In such event, the effective date of termination shall be the date set forth in such notice.

f) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" means a written notice which

(i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

g) Date of Termination. "Date of Termination" or "Termination Date" for purposes of this Agreement means the effective date of termination determined in accordance with the provisions of this Paragraph 3.

4. Obligations of the Company upon Termination.

a) Good Reason; Other Than for Cause. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability, or the Executive shall terminate employment for Good Reason:

i) The Company shall pay to the Executive in a lump sum in cash within thirty (30) calendar days after the Date of Termination, the aggregate of the amounts set forth in clauses A and B below:

A. the sum of: (1) the Executive's Annual Base Salary accrued through the Date of Termination to the extent not theretofore paid, and (2) the product of (x) the greater of the actual bonus accrued through the Date of Termination pursuant to the Bonus Plan or the annual average bonus paid to the Executive pursuant to the Bonus Plan determined based on the three (3) fiscal years immediately preceding the Termination Date (the "Minimum Bonus") and (y) a fraction, the numerator of which is the number of days in the current calendar year through the Date of Termination, and the denominator of which is 365 (the sum of the amounts described in clauses (1) and (2) are referred to herein as the "Accrued Obligations");

B. the amount equal to the product of (1) and (2) where:

(1) is: (i) if the Date of Termination occurs within the Window Period, the lesser of (a) two, or (b) the number of years, rounded to the nearest twelfth (1/12th) of a year, between the Date of Termination and the Executive's attainment of age sixty-five (65) and

(ii) if the Date of Termination occurs prior to a Change in Control or outside the Window Period, the number one (1),

and where:

(2) is: the sum of (x) the Executive's Annual Base Salary and (y) the Minimum Bonus.

ii) Any restricted stock, stock options and any other stock awards granted to Executive that were outstanding immediately prior to the Termination Date including, but not limited to, the Initial Stock Options ("Prior Stock Awards") shall become immediately vested.

iii) The Contingent Pension Benefit as defined in Paragraph 2(c) shall also immediately vest and its value compared to the vested equity value of the Initial Stock Options to determine Executive's entitlement to such Contingent Pension Benefit. Executive shall only be entitled to receive the Contingent Pension Benefit if the vested equity value of the Initial Stock Options is less than three times the amount of the Contingent Retirement Benefit.

iv) The Company shall continue benefits to the Executive and/or the Executive's eligible family members at least equal to those which would have been provided to them in accordance with the welfare plans, programs, practices, executive pre-requisites and policies described in section 2(b)(iv) of this Agreement if the Executive's employment had not been terminated provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Such benefits shall be continued for the period determined below:

1) if the Date of Termination occurs within the Window Period, the lesser of (a) two or (b) the number of years, rounded to the nearest twelfth (1/12th) of a year, between the Date of Termination and the Executive's attainment of age sixty-five (65) and

2) if the Date of Termination occurs prior to a Change in Control or outside the Window Period, the number one (1).

v) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided which the Executive is entitled to receive as a participant of any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies, excluding any severance plan or policy (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

b) Cause; Other than for Good Reason. If the Executive's employment is terminated for Cause or the Executive terminates employment without Good Reason, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive his Annual Base Salary and Other Benefits through the Date of Termination.

c) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate in a lump sum in cash within 30 days of the Date of Termination.

d) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than as set forth in this Paragraph 4(d). The Company shall pay Executive Accrued Obligations and the timely payment or provision of Other Benefits. The Contingent Pension Benefit as defined in Paragraph 2(c) shall also immediately vest and its value compared to the vested equity value of the Initial Stock Options to determine Executive's entitlement to all or any portion of such Contingent Pension Benefit. Executive shall only be entitled to receive the Contingent Pension Benefit if the vested equity value of the Initial Stock Options is less than three times the amount of the

Contingent Retirement Benefit. The Initial Stock Options shall become immediately vested upon the Executive's Disability. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination

5. Vacation. The Executive shall be entitled to paid vacation and holidays annually during the Employment Period in accordance with the Company's policy as determined from time to time by the Board, provided, however, the Executive shall be entitled to not less than four (4) weeks of paid vacation during the first year of the Employment Period following the Commencement Date and not less than five (5) weeks of paid vacation each year, thereafter.

6. Stock Options. The Company grants to Executive nonqualified stock options to acquire up to 750,000 shares of the Company's common stock $0.01 par value, at an exercise price of $11.1875 per share (this price is the fair market value of the Company's Stock on the date the Executive signed the Offer Letter), in accordance with and subject to the provisions of the Company's 1999 Stock Option and Incentive Plan (the "Initial Stock Options"). The shares subject to the Initial Stock Options shall vest based on the following schedule.

Vesting Date	Number of Option Shares Exercisable
December 15, 2001	15%
December 15, 2002	30%
December 15, 2003	50%
December 15, 2004	75%
December 15, 2005	100%

No portion of the Initial Stock Options may be exercised until such portion has vested. The Initial Stock Options shall expire on December 15, 2010 ("Expiration Date") and no portion of the Initial Stock Options shall be exercisable after the Expiration Date. The Initial Stock Options shall become fully vested in the event of the Executive's Disability, his termination for Good Reason or in the event the Company terminates his employment for any reason other than Cause.

7. Restricted Stock. The Company agrees to grant Executive a restricted stock award entitling Executive to acquire, at par value, an amount of shares of the Company's $0.01 par value per share, common stock equivalent to the amount of restricted shares the Executive forfeited as a result of Executive's retirement from Ford/Visteon (the "Restricted Stock"). The Restricted Stock shall vest based on the same schedule that the restricted shares the Executive forfeited as a result of Executive's retirement from Ford/Visteon would have vested. The Restricted Stock award shall be made in accordance with and subject to the provisions of the Company's 1999 Stock Option and Incentive Plan ("Restricted Stock"). Executive shall provide the Company affirmation of the restricted shares the Executive forfeited as a result of the Executive's retirement from Ford/Visteon.

8. Visteon 2000 Incentive Bonus Offset. Executive shall receive a payment in March 2001 from the Company equivalent to the estimated annual incentive bonus that Executive would have earned at Visteon for the year 2000 which Executive forfeited as a result of Executive's retirement from Ford/Visteon. Such payment shall be made in the form of cash. Executive shall provide the Company affirmation of his 1999 incentive bonus paid and, to the extent possible, the calculation to be used to quantify his 2000 incentive bonus award, prior to March 1, 2001.

9. Relocation. Executive shall be reimbursed for all customary and reasonable expenses incurred in connection with relocation, including the movement of all household goods, temporary housing costs during the relocation period not to extend beyond June 30, 2001, two house hunting trips to the Capital District for Executive, closing costs associated with selling Executive's current residence and purchasing a new residence in the Capital District, and reasonable incidental costs and the personal tax consequences thereof; provided, however, that any reimbursement hereunder shall not exceed an amount equal to two months' Annual Base Salary, grossed up for tax purposes.

10. Cash Sign-On Inducement. Upon execution of this Agreement, Executive shall receive the sum of $50,000, grossed up for tax purposes.

11. Confidential Information: Noncompetition.

a) The Executive shall have executed and shall be bound by the provisions of a certain "Employee Patent, Confidential Information and Non-Compete Agreement." The provisions of this Employment Agreement shall supplement but shall not supersede the provisions of such Employee Patent, Confidential Information and Non-Compete Agreement. The terms of the Employee Patent, Confidential Information and Non-Compete Agreement shall be incorporated in this Agreement by this reference. In the event of any express conflict between the terms of the Employee Patent, Confidential Information and Non-Compete Agreement and this Employment Agreement, the terms of the Employee Patent, Confidential Information and Non-Compete Agreement shall control.

b) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process (provided the Company has been given notice of and opportunity to challenge or limit the scope of disclosure purportedly so required), communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In addition, Executive shall not solicit employees of the Company for at least a one (1) year period beginning on the Date of Termination.

c) The parties expressly agree that the terms of the non-competition provisions set forth in the Employee Patent, Confidential Information and Non-Compete Agreement are reasonable, enforceable, and necessary to protect the Company's interests, and are valid and enforceable. In the unlikely event, however, that a court of competent jurisdiction was to determine that any portion of such limited non-competition provision is unenforceable, then the parties agree that the remainder of the limited non-competition provision set forth in such Agreement shall remain valid and enforceable to the maximum extent possible.

d) The Executive agrees that it would be difficult to measure damages to the Company from any breach of the covenants contained this Paragraph 11 and/or in the Employee Patent, Confidential Information and Non-Compete Agreement, but that such damages from any such beach would be great, incalculable and irremediable, and that money damages would be an inadequate remedy. Accordingly, the Executive agrees that the Company may have specific performance of the terms of this Agreement and Employee Patent, Confidential Information and Non-Compete Agreement in any court of competent jurisdiction. The parties agree however, that the specific performance remedies described above shall not be the exclusive remedies, and the Company may enforce any other remedy or remedies available to it either in law or in equity including, but not limited to, temporary, preliminary, and/or permanent injunctive relief.

12. Successors.

a) This Agreement is personal to the Executive and shall not be assignable by the Executive.

b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined herein and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. Internal Revenue Code Limits. Notwithstanding anything in this Agreement to the contrary (other than this Section), in the event that the Company's independent auditor (the "Accounting Firm") determines that any payment by the Company to or for the benefit of the Executive pursuant to the terms of this Agreement would be nondeductible by the Company for federal income tax purposes because of Section 280G of the Code, then the amount payable to or for the benefit of the Executive pursuant to this Agreement shall be reduced (but not below zero) to the maximum amount payable without causing the payment to be nondeductible by the Company because of Section 280G of the Code (the "Section 280G Limit. Such determination by the Accounting Firm shall be conclusive and binding upon the parties.

14. Miscellaneous.

a) This Agreement shall be governed by and construed in accordance with the laws of New York, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

b) All notices and other communications hereunder shall be in writing and shall be deemed to be received when (i) hand delivered (with written confirmation of receipt), (ii) when received by the addressee, if sent by nationally recognized overnight delivery service (receipt requested) in each case to the address set forth below (or to such other address as a party may designate by notice to the other party).

If to the Executive:

Mr. Roger B. Saillant
7352 Parker Road
Saline, MI 48176

With a copy to:

William Hodgman, Esq.
Cox, Hodgman & Giarmarco, P.C.
101 West Big Beaver Road
Columbia Circle II, 10th Floor
Troy, MI 48084-4160

If to the Company:

Plug Power Inc.
Attn: Ana-Maria Galeano
General Counsel
968 Albany-Shaker Road
Latham, NY 12110

With a copy to:

Boies, Schiller & Flexner LLP
Attn: Kathleen M. Franklin
100 State Street, Suite 900
Albany, New York 12207

c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

e) This Employment Agreement may be executed through the use of separate signature pages or in any number of counterpart copies, and each of such counterparts shall, for all purposes, constitute one agreement binding on all the parties.

f) The provisions of this Agreement contain all of the terms and conditions agreed upon by the parties relating to the subject matter of this Agreement and shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, either oral or written, with respect to such subject matter.

IN WITNESS WHEREOF, the Executive has executed this Agreement and, subject to the authorization of its Board of Directors, the Company has caused this Agreement to be executed in its name on its behalf, as of the Commencement Date.

/s/ Roger B. Saillant
_____________________________________, Executive
Roger B. Saillant

December 15, 2000
____
Date

PLUG POWER INC.

/s/ George McNamee
By___________________________________
George McNamee, Chairman of
Board of Directors

December 15, 2000
____
Date

EXHIBIT A

Position: President and Chief Executive Officer

Location: 968 Albany Shaker Road, Latham, New York 12110

Exhibit 10.42

February 13, 2001

William H. Largent
1249 Crooked Tree Court
Westerville, Ohio 43081

Re: Agreement

Dear Bill:

This letter serves as an agreement between you and Plug Power Inc. ("Plug") related to your continued employment with Plug.

1) You agree to the following in consideration for the benefits as noted herein, effective February 26, 2001:

2) You agree to work part-time for Plug out of your office in the Central Ohio area. You will no longer hold the title of Chief Financial Officer or any other officer title. You will report to the Controller, Dave Neumann, and perform financial and accounting related functions under his direction, including providing an oral report monthly to Mr. Neumann.

3) Your salary will be adjusted to an annual rate of $50,000 and be paid weekly. As a part-time employee you will be entitled to Plug's medical insurance plan. You will have no bonus plan or any other benefits other than those stated in this agreement.
4) Plug will pay all expenses for travel between Albany, New York and Columbus, Ohio, as well as, all lodging and transportation expenses while you are in the Albany area, should you need to travel to Albany for Plug business. You will not be required to travel to Albany unless both you and Plug mutually agree as to the time and duration of the travel.

5) It is understood and agreed to that you may take employment with other parties after the effective date of this agreement.

6) Your employment may not be terminated by Plug until after May 31, 2002, unless for cause defined as a) making willful and material dishonest statements about Plug or any affiliate, or, b) being convicted of a felony or other crime involving moral turpitude.

7) In addition, for purposes of the stock option plans you will continue to be considered an employee of Plug, thus you will continue to vest in your current stock options through the period of your employment with Plug.

8) Except for your Employee Patent, Confidentiality and Non-Compete Agreement and Stock Option Agreements which are incorporated in their entirety by reference herein, you agree that this Agreement supercedes all previous communications, whether oral or written, and constitutes the sole and entire agreement between you and Plug pertaining to your employment hereof. No modification, deletion of, or addition to the terms of this Agreement shall be binding on either party hereto unless made in writing and signed by a duly authorized representative of each party hereto.

Please sign in the space below if you agree to the foregoing terms.

Sincerely,

/s/ Roger B. Saillant

Roger B. Saillant
President and Chief Executive Officer

I acknowledge and accept this Agreement,

/s/ William H. Largent	*February 21, 2001*
William H. Largent	*Date*

Exhibit 10.43

September 19, 2000

Gregory A. Silvestri
15 Cinnamon Lane
Clifton Park, New York 12065

Re: Employment Agreement

Dear Greg:

This letter will serve as an amendment to the existing employment arrangement between you and Plug Power, Inc. ("Plug"), the terms of which are set forth in a prior letter agreement dated June 1, 1999 as amended by subsequent letter amendment dated August 3, 1999. This second amendment to your employment agreement shall be effective as of the date of your countersignature to this letter, except as noted below. The amended terms are as follows:

1. Effective October 1, 2000, your base salary will be adjusted to an annual rate of $225,000. The base salary shall be earned and paid weekly.

2. You will be paid a promotion bonus in the amount of $60,000 (gross) in consideration of your August 24, 2000 promotion to Chief Operating Officer, which such amount shall be payable within five (5) days of the effective date of execution of this second letter amendment.

3. You will be eligible for a target incentive bonus on the same terms and conditions as currently set forth in the June 1, 1999 letter agreement.

4. In the event of a termination of your employment for any reason, including voluntary termination, you will be entitled to a full twelve (12) months salary continuation at the full adjusted annual rate set forth in paragraph 1 above and a full continuation of all of your current employee benefits for the same period. The continuation period shall commence as of the date of termination. Additionally, your stock options will continue to vest, in accordance with the governing stock option plan, for a twelve (12) month period following the termination date, as if you continued to be an employee of Plug.

5. The terms and conditions of this letter agreement shall survive both or either of (a) the merger, reorganization or consolidation of Plug, or (b) the sale of all or substantially all of the assets or stock of Plug.

Sincerely,

/s/ George C. McNamee

George C. McNamee
Chairman of the Board of Directors

The foregoing is agreed to and accepted by:

/s/ Gregory A. Silvestri	*October 2, 2000*
Gregory A. Silvestri	*Date*

Exhibit 10.44

DEVELOPMENT AGREEMENT

This Agreement is made and entered into this second day of June, 2000, ("Effective Date") by and between Plug Power Inc., a Delaware corporation, having a place of business at 968 Albany Shaker Road, Latham, New York 12110 (hereinafter referred to as "Plug"), and Engelhard Corporation, a Delaware corporation, having a place of business at 101 Wood Avenue, Iselin, New Jersey 08830-0770 (hereinafter referred to as "Engelhard").

1. Recitals

1.1 Plug has developed and continues to develop technology and manufacturing expertise related to fuel cell systems. Plug has developed and continues to develop technology related to catalyst products useful in the various components of fuel cell systems including fuel processors and fuel cell stacks.

1.2 Engelhard has developed and continues to develop technology related to catalyst and sorbent, methods of manufacture and methods of application of catalyst and sorbent compositions to substrates, including catalysts and sorbents useful in the various components of fuel cell systems including fuel processors and fuel cell stacks. Engelhard has also developed and continues to develop technology related to the use of such catalysts and sorbents in fuel cell systems useful in stationary and mobile applications.

1.3 Plug and Engelhard desire to work together to design and develop catalysts for use in Plug's fuel processors intended for use in Plug's stationary fuel cell systems having a capacity to generate up to one hundred
(100) kW of electricity.

In consideration of the foregoing and the terms set forth below, the Parties agree as follows:

2. Definitions

The following terms shall have, for the purposes of this Agreement, the meanings set forth in this Article 2. The terms may be used in this Agreement in the plural or the singular form.

2.1 "Materials" shall mean catalysts, sorbents, catalytic sorbents, and/or reactive compounds and compositions which are useful in Fuel Processors to catalyze the oxidation and/or reduction of, or otherwise treat components such as, carbon monoxide, hydrogen, and hydrocarbons including components of natural gas and LPG. Materials shall also include non-catalytic adsorbent materials and/or absorbent materials useful in Fuel Processors. Materials additionally include catalyst materials supported on carriers such as honeycomb monoliths, plates, pipes, hardware and Fuel Processors. Specific Materials include, but are not limited to, CO preferential oxidation catalysts and autothermal reforming catalysts, oxidation catalysts for the abatement of hydrogen from the anode of a fuel cell stack, and shift catalysts which are catalysts that catalyze a gas stream comprising hydrogen, carbon monoxide and water to increase the hydrogen concentration and decrease the carbon monoxide concentration of the gas stream. Materials shall also include methods for application (e.g. coating) of Materials onto substrates, and methods of use of these Materials.

2.2 "Fuel Processor" shall mean a system (a) for converting hydrocarbon fuels (e.g., natural gas, LPG etc.) to a gas containing hydrogen that is suitable for acceptable operation at a fuel cell anode, and (b)intended for use in Plug's fuel cell systems designed for stationary applications, including residential and small commercial applications, and having a capacity to generate up to one hundred (100) kW of electricity. The Fuel Processor may consist of hardware and control components designed to employ Materials in reactor, exchanger, shift, CO polishing or treatment subsystems

2.3 "Program" shall mean the joint effort of the Parties pursuant to this Agreement to design and develop Materials for use in Plug's Fuel Processors.

2.4 "Project(s)" shall mean those projects relating to the Program which are decided upon from time to time within the scope of the work outlined in Exhibit A, made a part hereof, and as may be modified by the Parties in writing, by mutual agreement from time to time.

2.5 "Intellectual Property" shall mean any invention, discovery, concept, expression or work, whether or not patented or patentable, including, without limitation, discoveries, compositions, know-how, procedures, technical information, processes, methods, test results, devices, formulas, protocols, techniques, designs and drawings, any physical embodiment thereof, and any patent (and applications therefor), copyrights (and applications therefor), trade secret or other intellectual property right related thereto.

2.6 "Affiliated Company" shall mean any company or entity owned by, or having common ownership with either party to this Agreement, or being a joint venture partner of either Party to this Agreement.

Ownership of a company or entity as used herein means the direct or indirect ownership of more than thirty percent (30%) of the voting shares or share capital, equity or voting rights of the company or entity except that Affiliate shall include Engelhard's affiliates N.E. ChemCat Co., Ltd. of Japan and Heesung Engelhard of South Korea.
2.7 "Product Specification" shall have the meaning set forth in the Supply Agreement Section 1.6.

3. Program for Establishment and Determination of Projects and Exchange of

Technical Information

3.1 Pursuant to the Program, Plug and Engelhard will cooperate in the development of Materials for use in Plug's Fuel Processors in accordance with the Project set forth in Exhibit A. Generally, the goals of the Program shall be to develop improved Materials that optimize the cost, performance and durability of the Fuel Processor. Exhibit A will contain milestones which are recognized by the Parties to be objectives and not obligations. The Parties further recognize that the milestones may change, as the Project progresses for reason not anticipated. Therefore, the Parties agree that failure to meet a milestone recited in Exhibit A shall not be a breach of this Agreement.

3.2 Each Party shall appoint a representative as its project manager for the Project (each such representative a "Project Manager"). The Project Managers shall appoint members to their respective teams to work on the Project and shall share overall responsibility for the coordination of the development of the Product. Each Party's Project Manager shall be the other Party's point of contact for the resolution of any problems that may arise in connection with this Agreement or the Project. Each Party shall notify the other Party within thirty (30) days after the execution of this Agreement of the appointment of its Project Manager and shall notify the other Party as soon as practicable upon changing such appointment.

3.3 Exhibit A of this Agreement has been prepared by the business and technical personnel of Engelhard and Plug who have met prior to the Effective Date to outline the initial Project or Projects, within the scope of the Program, to be undertaken. Such Project(s) shall include the nature, scope, estimated resource requirements, milestones, performance and the estimated completion date.

3.4 The Parties shall meet as mutually agreed but at least every three (3) months during the term of this Agreement. During such meetings, each Party shall review the status of the Projects, including:

3.4.1 A review of current Projects, including reports of work done subsequent to the previous meeting;

3.4.2 The extent to which any previous or current Project is proceeding towards commercialization; and

3.4.3 A review of invention disclosures, patent applications filed or issued relating to the Project, including contemplated foreign filings.

3.4.4 During the course of such meetings, the Parties shall decide whether the Projects shall be modified and, if so, the Parties shall agree in writing on specific actions to be taken by each Party.

3.4.5 Minutes shall be taken at each meeting by each Party's Project Leader or his/her designee and a written version of such minutes shall be provided to the other Party within thirty (30) days of the conclusion of each such meeting.

3.5 Plug shall bear its own costs and expenses with respect to the Program, and Engelhard shall be compensated for its costs and expenses with respect to the Program in accordance with Article 4 hereinbelow. To the extent Engelhard purchases property in accordance with, and for the primary purpose of carrying out, the Project, any and all such property including materials, equipment, software, and the like purchased or otherwise acquired by Engelhard in connection with the Program, shall be the property of Engelhard, regardless of whether the funds for such purchased or otherwise acquired property were obtained using the compensation provided by Plug or by Engelhard.

3.6 To the extent that either Party is prevented from disclosing commercial and technical information hereunder by reason of obligations to third parties, it shall use all reasonable efforts to secure the approval of such third parties for the purpose of making disclosures hereunder.

4. Engelhard Compensation

4.1 Payment for Development Efforts Plug shall pay one hundred percent (100%) of its own development costs and expenses incurred in connection with the Project. The Parties hereto agree that Ten Million Dollars ($10,000,000) represents the development costs and expenses estimated by Engelhard and Plug that Engelhard will incur in connection with the Program from the Effective Date through the third anniversary of the Effective Date. Plug agrees to pay such development costs incurred by Engelhard in connection with the Project (the "Development Fee"). The Development Fee shall be paid to Engelhard in cash in three installments as follows: Five Million Dollars ($5,000,000) within five (5) days of the Effective Date; Three Million Dollars ($3,000,000) within five (5) days of the first anniversary of the Effective Date; and Two Million Dollars ($2,000,000) within five (5) days of the second anniversary of the Effective Date.

4.2 Investment in Plug:

(a) Within ten (10) days of the Effective Date, Plug shall issue and sell to Engelhard, and Engelhard shall purchase from Plug, for a purchase price of Five Million Dollars ($5,000,000) in cash such number of shares (the "Shares"), Plug's common stock, par value one cent ($.01) per share (the "Common Stock") having a market value of Five Million Dollars ($5,000,000) based on the Effective Date Market Price (as defined below). As used herein, "Effective Date Market Price" means with respect to one share of Common Stock, the closing price for such share ("Closing Price") as reported on NASDAQ for the trading day immediately preceding the Effective Date; provided that in calculating such Effective Date Market Price the Closing Price shall be reduced by five percent (5%) of its arithmetic value.

(b) Within ten (10) days of the first anniversary of the Effective Date, Plug shall issue and sell to Engelhard, and Engelhard shall purchase from Plug, for a purchase price of Three Million ($3,000,000) in cash such number of Shares of Common Stock having a market value of Three Million ($3,000,000) based on the First Anniversary Market Price (as defined below). As use herein First Anniversary Market Price" means with respect to one share of Common Stock, the Closing Price as reported on NASDAQ for the trading day immediately preceding the first anniversary of the Effective Date; provided that in calculating such First Anniversary Market Price the Closing Price shall be reduced by five percent (5%) of its arithmetic value.

(c) Within ten (10) days of the second anniversary of the Effective Date, Plug shall issue and sell to Engelhard, and Engelhard shall purchase from Plug, for a purchase price of Two Million ($2,000,000) in cash such number of Shares of Common Stock having a market value of Two Million ($2,000,000) based on the Second Anniversary Market Price (as defined below). As use herein, "Second Anniversary Market Price" means with respect to one share of Common Stock, the Closing Price as reported on NASDAQ for the trading day immediately preceding the second anniversary of the Effective Date; provided that in calculating such Second Anniversary Market Price the Closing Price shall be reduced by five percent (5%) of its arithmetic value.

(d) Each obligation of Engelhard to purchase Common Stock pursuant to clauses (a), (b) and (c) above is conditioned upon the receipt by Engelhard of the related installment payment of the Development Fee as specified in Section 4.1.

4.3 Engelhard hereby covenants that it shall use the entire Development Fee primarily for its development activity in connection with the Project. Provided that property purchased with the development fee can be used outside of the Program.

5. Intellectual Property

5.1 Ownership of Intellectual Property in the possession of either Party prior to the date of this Agreement or developed outside the scope of this Agreement, as substantiated by reasonable documentary evidence ("Background Intellectual Property"), shall be unaffected by this Agreement or the actions of the Parties pursuant to this Agreement. Plug shall own all Plug Background Intellectual Property and Engelhard shall own all Engelhard Background Intellectual Property.

5.2 All Intellectual Property developed hereunder: (a) solely by Engelhard, (b) jointly by Engelhard and Plug, (c) or solely by Plug which relate to Materials shall be the sole property of Engelhard ("Engelhard Intellectual Property").

5.3 Except as recited in Section 5.2, all Intellectual Property developed hereunder: (a) solely by Plug, (b) jointly by Plug and Engelhard, or (c) solely by Engelhard which relate to the Fuel Processors shall be the sole property of Plug ("Plug Intellectual Property").

5.4 Each party having sole property rights in Sections 5.2 and 5.3 respectively, shall, at its sole discretion, file patent applications in the United States of America and foreign countries covering such property rights. Where Confidential Information developed hereunder of a non-filing Party is required to file a patent application, the filing Party shall request permission of the non-filing Party to use such Confidential Information, and the non-filing Party shall not unreasonably withhold such permission.

5.5 Except as otherwise provided, and in order to carry out the foregoing, each Party shall, at the request of the other Party, use reasonable efforts to execute or cause to be executed such assignments or other papers relating to Intellectual Property rights, including the assignment of patent applications, as the requesting Party may require. Each Party agrees that its employees shall cooperate with and assist the other Party (at no cost to the other Party) in the preparation and prosecution of other Party's patent applications.

5.6 During the term of this Agreement and the term of the Supply Agreement, whichever is longer, Engelhard shall not provide to any third party the Product Specification or Materials, when taken in the aggregate, meet the Product Specification, except: (i) in compliance with Section 6.3; (ii) or if Engelhard is acquired by another entity or merges with another entity, the Product Specification can be disclosed to such acquiring or merging entity;

(iii) or the part of Engelhard's business to which the Product Specification is sold or otherwise divested from Engelhard, the Product Specification can be provided to the divesting part of the business; provided that the divested part of the business agrees to be bound by the terms and conditions of this Agreement and the Supply Agreement; or (iv) or if the Product Specification falls within Engelhard's Background Intellectual Property as defined in Section 5.1.

Notwithstanding the foregoing, and notwithstanding any other provision in this Agreement or in the Supply Agreement, Engelhard may (without disclosing Plug's use of any particular product or specification) provide any product to be sold by Engelhard to Plug or any Product Specification, to any third party for applications outside the field of Fuel Processors.

6. Confidential Information

6.1 Plug and Engelhard recognize that in order to carry out the intent of this Agreement, the exchange of certain commercial and technical information will be required and that such commercial and technical information may constitute proprietary information of the Party furnishing the same ("Confidential Information"). Each of the Parties hereto agrees that all Confidential Information related to the Program and furnished to it by the other Party in writing shall be marked as proprietary or confidential. Confidential Information disclosed by oral or visual means shall be designated at the time of the original disclosure as being proprietary or confidential and thereafter reduced to written form, marked confidential and delivered to the receiving Party within twenty (20) days of the original. Confidential Information which shall not be considered proprietary or confidential hereunder includes information:

(a) that is or becomes publicly available other than through the fault or negligence of the receiving Party;

(b) that is rightly obtained without restriction by the receiving Party from a third party;
(c) that was known by the receiving Party or the public prior to its receipt; or
(d) that is released without restriction by the providing Party to anyone; or
(e) that is developed by the receiving Party independently of the providing Party and without breach of this Agreement, and such independent development is demonstrated by the receiving Party with acceptable relevant documentary evidence. Each Party hereto agrees that it shall not use Confidential Information of the other except in performance of this Agreement, or disclose the same to third parties, without the prior written approval of the other Party. Each Party shall advise its employees having access to Confidential Information of the Party's obligations hereunder and will disclose such Confidential Information only to those of its employees who are subject to written obligations restricting use and disclosure of such information to at least the same extent as provided in this Agreement. The confidentiality obligations of the Parties hereunder shall cease seven (7) years from the date of termination of this Agreement.

6.2 With regard to samples (including, but not limited to Materials, Fuel Processors and/or any components thereof collectively and fuel cell stacks and/or components thereof, collectively, the "Samples") and received, directly or indirectly, by one Party from the other, the receiving Party agrees as follows:

(i) not to analyze or have analyzed any of the Samples in order to determine the physical or structural characteristics or chemical composition of any of the Samples;
(ii) not to provide the Samples to third parties;
(iii) to use the Samples only for the Project;
(iv) upon completion of receiving party's evaluation and unless otherwise agreed, the receiving Party shall return all used and unused Samples to the disclosing Party; and
(v) to provide each other with the results of each Party's evaluation of other Party's Samples and otherwise hold such Samples and results as Confidential Information subject to this Article 6.

6.3 In the event that a Party is required to disclose Confidential Information or Samples or results which a Party is obligated to maintain in confidence under this Agreement to a third party in response to a subpoena or order of a court or administrative agency, the Party required to disclose shall inform the other Party promptly so that the other Party shall have the opportunity to seek a protective order or to limit the scope of the requested disclosure and, provided, that Party required to disclose shall not interfere with the other Party's lawful efforts to obtain said protective order.

6.4 Each Party will have sole discretion to determine what Confidential Information or Background Intellectual Property it is required to disclose to the other Party hereunder. Neither Party shall be required to disclose to the other, or any third party, Sample compositions or methods of application whether part of Background Intellectual Property or Intellectual Property developed under this Agreement.

7. Shares of Plug Power Stock

7.1 Valid Issuance of Shares. Plug represents and warrants that when issued and delivered in accordance with the terms hereof, the Shares will be duly authorized and validly issued. Subject to Engelhard's compliance with Section 7.2, the Shares will be issued in compliance with all applicable federal securities laws.

7.2 Accredited Investor Representations and Warranties. In connection with acquiring the Shares, Engelhard hereby represents and warrants to Plug that Engelhard is an "accredited investor," within the meaning of Rule 501 of Regulation D under the Securities Act.

7.3 Transfer Restrictions. Engelhard shall not, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of any interest in any of the Shares acquired hereunder for a period of three (3) years following the acquisition of such Shares (the "Holding Period"); provided that such agreement shall not be deemed to limit Engelhard's right to surrender its Shares in a merger or other corporate transaction involving a change of control of Plug as a result of which Shares may be deemed to be transferred by operation of law to a successor in interest of Plug; and provided further that, notwithstanding anything in this Section 7.3 to the contrary, Engelhard shall be permitted to (i) sell, transfer, assign or pledge all or any part of the Shares to (A) any direct or indirect subsidiary of Engelhard or (B) any Affiliated Company of Engelhard.

7.4 Legends. It is understood that each certificate evidencing Shares will bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, HAVE BEEN ACQUIRED FOR THE HOLDER'S OWN ACCOUNT AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO OFFER, SALE OR DISPOSITION OF THESE SECURITIES MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933. IN ADDITION, THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAS AGREED NOT TO DIRECTLY OR INDIRECTLY SELL, TRANSFER, ASSIGN, PLEDGE OR OTHERWISE DISPOSE OF ANY SUCH SHARES OTHER THAN IN ACCORDANCE WITH AN AGREEMENT DATED AS OF JUNE 2, 2000 WITH THE COMPANY, A COPY OF WHICH IS ON FILE WITH THE COMPANY.

Notwithstanding the foregoing, Engelhard shall have the right, upon written request to Plug on or after termination of all applicable limitations on transfer with respect to any Shares, to receive from Plug, without expense, a new certificate omitting any legend with respect to the terminated limitations.

7.5 SEC Reports and Financial Statements. In connection with the issuance of the Shares, Plug hereby represents and warrants, as of the date hereof and as of each date on which Shares are issued, that: (i) it has filed or will have been filed with the Securities and Exchange Commission (the "SEC") all forms, reports, schedules, statements and other documents required to be filed by it since October 28, 1999 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the Securities Act of 1933, as amended (the "Securities Act") (as such documents have been amended since the time of their filing, collectively, the "SEC Documents"); (ii) The SEC Documents, including without limitation any financial statements and schedules included therein, at the time filed (a) did not contain any untrue statement of a material fact or omit to state a fact, which is material, required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (b) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, and the applicable rules and regulations of the SEC thereunder; and (iii) the financial statements of Plug included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the period involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited statements, to normal, recurring audit adjustments) the consolidated financial position of Plug and its consolidated subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended.

8. Commercial Arrangements

Concurrent with the Effective Date, the Parties have executed a Supply Agreement in the form attached hereto as Exhibit B.

9. Publicity

No public release or advertisements by either Plug or Engelhard relating to the subject of this Agreement shall be made without the prior written agreement of both Parties except to the extent that either Party is advised by its counsel that disclosure of such subject is required by law; provided that in the event that a Party has been so advised by counsel, the other Party will be afforded the opportunity to review such press release prior to its public dissemination.

10. Warranties and Limitation of Liabilities

10.1 No Party shall be liable to the other Party under this Agreement except for liability associated with Articles 4, 5, 6, 7 and 9.

10.2 The sole obligation of each Party with respect to its commercial and technical information, including the results of the Projects of Section 3.4, shall be to provide same to the other Party as provided in this Agreement, and to correct errors that might have occurred in said information without undue delay after such errors are made known to the Party which forwarded said information.

10.3 Nothing in this Agreement shall obligate either Party to apply for, maintain or acquire any patent protection, in any country.

11. Notices

All notices required to be given hereunder shall be in writing and shall be given by first class mail, postage prepaid, addressed to the Parties as follows:

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To Plug:       Plug Power Inc.
               968 Albany Shaker Road
               Latham, New York 12110
               Attn: Gary Mittleman
                     President & CEO

               cc:  General Counsel

To Engelhard:  Engelhard Corporation
               101 Wood Avenue South
               Iselin, NJ  08830-0770

               Attn:    Daniel W. Parker
                        Group Vice President
                        and General Manager
                        Separation Systems & Ventures
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cc: Vice President & General Counsel

Either Party shall have the right to change the address to which notices are to be sent by the giving of not less than ten (10) days written notice to the other Party.

12. Relationship

The relationship of the Parties hereto shall be that of independent contractors and nothing herein contained shall be deemed to create any relationship of agency.

13. Entire Agreement

This Agreement constitutes the entire agreement between the Parties regarding the joint development of the Materials specified in Exhibit A hereto and supersedes any and all other prior agreements and understandings whether written, verbal or implied. No changes, alterations or modifications to this Agreement shall be effective unless in writing and signed by the Parties hereto.

14. Termination

This Agreement shall terminate the later of (i) three (3) years from the Effective Date or (ii) the date on which Engelhard has exhausted the Development Fee, unless further extended by written agreement of the Parties. Upon termination pursuant to this Section 14, the Parties shall be relieved of all obligations under this Agreement, except for their obligations under Sections 4 through 8 and this Section 14.

In no event shall termination of this Agreement have any bearing on the effect or survivability of the Supply Agreement.

15. Other Development

Either Party hereto, subject to its obligations under Section 6 above in connection with the other Party's Confidential Information, may pursue development activity, whether or not similar to the

Program, with others or independently, provided such activity does not otherwise violate a Party's obligations hereunder. Engelhard hereby gives notice to Plug that it has a variety of relationships with other Fuel Cell System manufacturers and development companies.

16. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without giving effect to principles of conflicts of laws that would cause the application of the laws of any jurisdiction other than the State of New Jersey.

17. Authority/No Conflicts

Each Party represents and warrants that (i) it has full power and authority and legal right to execute and deliver this Agreement, (ii) its execution, delivery and performance of this Agreement have been duly authorized by all necessary action, (iii) this Agreement has been duly executed and delivered by it and (iv) this Agreement constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by the availability of the remedy of specific performance.

18. Waiver, Discharge, etc.

This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed on behalf of each of the Parties by their duly authorized representatives. The failure of either Party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of either Party after any such failure to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

19. Counterparts

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become a binding agreement when one or more counterparts have been signed by each Party and delivered to the other Party.

20. Captions, Construction

The titles and headings to Sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the Party causing this Agreement to be drafted.

21. No Third Party Benefits

Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the Parties or their respective permitted successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

22. No Implied Licenses

No rights or licenses with respect to a Party's Intellectual Property, Confidential Information or other proprietary rights are granted or deemed granted to the other Party hereunder or in connection herewith, other than those rights expressly granted in this Agreement.

23. Assignment

Neither Party shall have the right to transfer or assign its interest in this Agreement or delegate its obligations under this Agreement without the prior written consent of the other Party.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the day and year first above written.

PLUG POWER INC.	ENGELHARD CORPORATION
By: /s/ Gary Mittleman	By: /s/ Daniel W. Parker
Gary Mittleman President & CEO	Daniel W. Parker Group Vice President and General Manager
Date: June 6, 2000	Date: June 2, 2000

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-90275 and No. 333-90277) of Plug Power Inc. and Subsidiary of our report dated February 9, 2001, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Albany, New York

March 30, 2001
