

MECHANICAL TECHNOLOGY INC
Form 10-K/A
May 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
AMENDMENT NO. 2

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

For the fiscal year ended December 31, 2004

or

// TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-6890

MECHANICAL TECHNOLOGY INCORPORATED

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| New York | 14-1462255 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 431 New Karner Road, Albany, New York | 12205 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (518) 533-2200

Securities registered pursuant to Section 12(b) of the Act: NONE

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

\$1.00 Par Value Common Stock

(Title of class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No "

The aggregate market value of the voting and non-voting Registrant's common stock held by non-affiliates of the Registrant on June 30, 2004 (based on the last sale price of \$5.98 per share for such stock reported by NASDAQ for that date) was approximately \$141,233,398.

As of March 9, 2005, the Registrant had 30,610,213 shares of common stock outstanding.

Documents incorporated by reference: NONE

EXPLANATORY NOTE

This Annual Report on Form 10-K/A ("Form 10-K/A") is being filed as Amendment No. 2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. This Form 10-K/A is filed with the Securities and Exchange Commission (the "Commission") solely for the purpose of amending Items 9A and 15 of the filing to include Management's Report on Internal Control Over Financial Reporting, the associated report of PricewaterhouseCoopers LLP on the audit of management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 and Exhibits 23 and 23.3, as well as currently dated certifications.

Unaffected items have not been repeated in this Form 10-K/A. This Form 10-K/A does not reflect events occurring after the filing of original Form 10-K, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments as described above and set forth below.

ITEM 9A: CONTROLS AND PROCEDURES

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(a) Evaluation of Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

. The Company's management, under the supervision of and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective and are reasonably designed to ensure that all material information relating to the Company required to be included in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure in accordance with Exchange Act Rule 13a-15(e).

Changes in Internal Control over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during the Company's fiscal quarter ended December 31, 2004 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

(b) Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting

principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control-Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ Steven N. Fischer

/s/ Cynthia A. Scheuer

Chairman and Chief Executive Officer

Vice President and Chief Financial Officer

(Principal Executive Officer)

(Principal Financial Officer)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Mechanical Technology Incorporated

In our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that

our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Mechanical Technology Incorporated at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004 and in our report dated March 2, 2005, we expressed an unqualified opinion thereon.

/s/PricewaterhouseCoopers LLP

Albany, New York

April 29, 2005

PART IV

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ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) The financial statements filed herewith are set forth on the Index to Consolidated Financial Statements on page F-1 of the separate financial section which accompanies this Report, which is incorporated herein by reference.

(a) (2) Schedule. The following consolidated financial statement schedule for the years ended December 31, 2004, 2003 and 2002 is included pursuant to Item 15(d):

Report of Independent Registered Public Accounting Firm on Financial Statements Schedule;

Schedule II- Valuation and Qualifying Accounts.

All other financial statement schedules not listed have been omitted because they are either not required, not applicable, or the information has been included elsewhere in the consolidated financial statements or notes thereto.

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(a) (3) Exhibits. The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Annual Report on Form 10-K.

The following exhibits are filed as part of this Report:

| <u>Exhibit</u> | <u>Number</u> | <u>Description</u> |
|----------------|---------------|--|
| | 3.1 | Certificate of Incorporation of the registrant, as amended and restated and amended. (3)(8)(9) |
| | 3.2 | By-Laws of the registrant, as restated. (3) |
| | 4.1 | Certificate of Additional Investment Rights issued to Fletcher International, Ltd. (19) |
| | 10.1 | Mechanical Technology Incorporated Restricted Stock Incentive Plan. (1) |
| | 10.14 | Mechanical Technology Incorporated Stock Incentive Plan for its December 20, 1996 Special Meeting of Shareholders. (2) |
| | 10.21 | Asset Purchase Agreement between Mechanical Technology and NYFM, Incorporated, dated as of March 31, 1998. (4) |
| | 10.30 | Mechanical Technology Incorporated 1999 Employee Stock Incentive Plan. (5) |
| | 10.32 | Stock Purchase Agreement, dated October 1, 1999, between the registrant, Ling Electronics, Inc., Ling Electronics, Ltd. and SatCon Technology Corporation. (6) |
| | 10.33 | Securities Purchase Agreement, dated October 21, 1999, between the registrant and SatCon Technology Corporation. (6) |

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10.34 Mechanical Technology Incorporated Registration Rights Agreement, dated October 21, 1999, between the registrant and SatCon Technology Corporation. (6)

10.36 Mechanical Technology Incorporated Stock Purchase Warrant dated October 21, 1999. (6)

10.37 SatCon Technology Corporation Stock Purchase Warrant dated October 21, 1999. (6)

Exhibit

Number

Description

10.38 Lease dated August 10, 1999 between Carl E. Touhey and Mechanical Technology, Inc. (6)

10.39 Registration Rights Agreement, dated November 1, 1999 by and among Plug Power Inc. and the registrant. (6)

10.41 Mechanical Technology Incorporated Stock Purchase Warrant dated January 31, 2000. (7)

10.42 SatCon Technology Corporation Stock Purchase Warrant dated January 31, 2000. (7)

10.43 Lease dated April 2, 2001 between Kingfisher L.L.C. and Mechanical Technology Inc. (10)

10.44 First Amendment to lease dated March 13, 2003 between Kingfisher L.L.C. and Mechanical Technology Inc. (12)

10.118 Exchange Agreement dated December 20, 2002 by and between First Albany Companies Inc. and Mechanical Technology Incorporated. (11)

10.119 Strategic Alliance Agreement, dated as of September 19, 2003, between The Gillette Company and MTI MicroFuel Cells Inc. (portions omitted pursuant to pending confidential treatment request). (13)

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- 10.120 Funding Agreement, dated as of September 19, 2003, between the registrant and The Gillette Company (portions omitted pursuant to pending confidential treatment request). (13)
- 10.121 Agreement, dated January 26, 2004, between Mechanical Technology Inc. and Fletcher International, Ltd. (15)
- 10.122 Amendment No. 1 to the Main Agreement dated as of May 4, 2004 entered into by and between the registrant and Fletcher International, Ltd. (16)
- 10.123 Amendment to the Strategic Alliance Agreement between The Gillette Company and MTI MicroFuel Cells Inc. dated August 18, 2004. (17)
- 10.124 MTI MicroFuel Cells Inc. 2001 Employee, Director and Consultant Stock Option Plan (Amended and Restated as of September 23, 2004). (18)
- 10.125 MTI MicroFuel Cells Inc. 2001 Employee, Director and Consultant Stock Option Plan Stock Option Agreement (Updated September 23, 2004). (18)
- 10.126 MTI MicroFuel Cells Inc. 2001 Stock Option Agreement for Employees, Consultants and Directors. (18)
- 10.127 MTI MicroFuel Cells Inc. Notice of Exercise of Option (Updated September 23, 2004). (18)
- 10.128 Lease dated January 26, 2005 between 750 University LLC and MTI MicroFuel Cells Inc. (20)
- 10.129 Base Salaries of Named Executive Officers of the Registrant. (20)
- 10.130 Cash Compensation for Non-Management Directors of the Registrant. (20)

| Exhibit | <u>Number</u> | <u>Description</u> |
|---------|---------------|--|
| 14.1 | | Code of Ethics. (14) |
| 21 | | Subsidiaries of the Registrant. (14) |
| 23 | | Consent of PricewaterhouseCoopers LLP. |
| 23.1 | | Consent of KPMG LLP. (20) |
| 23.2 | | Consent of Grant Thornton LLP. (21) |
| 23.3 | | Consent of PricewaterhouseCoopers LLP. |
| 31.1 | | Rule 13a-14(a)/15d-14(a) Certification of Steven N. Fischer. |
| 31.2 | | Rule 13a-14(a)/15d-14(a) Certification of Cynthia A. Scheuer. |
| 32.1 | | Section 1350 Certification of Steven N. Fischer.(20) |
| 32.2 | | Section 1350 Certification of Cynthia A. Scheuer. (20) |
| 99.15.1 | | Other Consolidated Financial Statements and Supplementary Data (Plug Power Inc. for the Years Ended December 31, 2002, 2001 and 2000) (20) |

- 99.15.2 Other Consolidated Financial Statements and Supplementary Data (SatCon Technology Corporation for the Nine Months Ended June 29, 2002 (unaudited) (20)
- 99.15.3 Other Consolidated Financial Statements and Supplementary Data (SatCon Technology Corporation for the Years Ended September 30, 2002, 2001 and 2000) (21)

Certain exhibits were previously filed (as indicated below) and are incorporated herein by reference. All other exhibits for which no other filing information is given are filed herewith:

- Filed as Exhibit 28.1 to the registrant's Form S-8 Registration Statement No. 33-26326, filed December 29, 1988.
 - Filed as Appendix A to the registrant's Definitive Proxy Statement Schedule 14A filed November 19, 1996.
 - Filed as an Exhibit to the Proxy Statement, Schedule 14A, dated March 9, 1998.
 - Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form S-2 dated August 18, 1998.
- Filed as an Exhibit to the registrant's Proxy Statement, Schedule 14A, dated February 13, 1999.
- Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-K Report for the fiscal year ended September 30, 1999.
 - Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-Q Report for its fiscal quarter ended December 31, 1999.
 - Filed as an Exhibit to the Proxy Statement, Schedule 14A, dated February 22, 2000.
 - Filed as an Exhibit to the Proxy Statement, Schedule 14A, dated March 19, 2001.
10. Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-K Report for the fiscal year ended September 30, 2001.
11. Filed as an Exhibit to the registrant's Form 13-D/A Report dated January 3, 2003.
12. Filed as an Exhibit to the registrant's Form 10-K Report for the year ended December 31, 2002.
13. Filed as an Exhibit to the registrant's Form 10-Q Report for its fiscal quarter ended September 30, 2003.
14. Filed as an Exhibit to the registrant's Form 10-K Report for the year ended December 31, 2003.
15. Filed as an Exhibit to the registrant's Form 8-K Report dated January 27, 2004.
16. Filed as an Exhibit to the registrant's Form 8-K Report dated May 4, 2004.
18. Filed as an Exhibit to the registrant's Form 10-Q Report for its quarter ended September 30, 2004.
19. Filed as an Exhibit to the registrant's Form 8-K Report dated December 10, 2004.
20. Filed as an Exhibit to the registrant's Form 8-K Report dated December 22, 2004.
21. Filed as an Exhibit to the registrant's Form 10-K Report for the Year ended December 31, 2004.
22. Filed as an Exhibit to the registrant's Amendment No.1 to Form 10-K for the year ended December 31, 2004.
- In accordance with the requirements of Rule 3-09 of Regulation S-X and as a result of comments received from the Securities and Exchange Commission in connection with a review of our previous filings, separate financial statements for Plug Power Inc. and SatCon Technology Corporation, less than fifty percent owned entities, filed herewith are set forth on their respective Indexes to Financial Statements of their separate financial sections. Such financial sections are filed as Exhibits 99.15.1 and 99.15.2 for Plug Power and SatCon, respectively. Plug Power's fiscal year ended December 31, 2002 and SatCon's unaudited nine months ended June 29, 2002.

Further, in accordance with the requirements of Rule 3-09 of Regulation S-X and as a result of comments received from the Securities and Exchange Commission in connection with a review of our previous filings, separate financial statements for SatCon Technology Corporation, less than fifty percent owned entity, filed herewith are set forth on the Index to Financial Statements of the separate financial section. Such financial section is filed as Exhibit 99.15.3 for SatCon to the Form 10-K/A Amendment No.1. SatCon's fiscal year ended September 30, 2002.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 to Form 10-K on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized on this 2nd day of May, 2005.

MECHANICAL TECHNOLOGY INCORPORATED

Date: May 2, 2005

By: /s/ Steven N. Fischer

Steven N. Fischer

Chief Executive Officer

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.

| <u>SIGNATURE</u> | <u>TITLE</u> | <u>DATE</u> |
|---|---|-------------|
| <u>/s/ Steven N. Fischer</u> Steven N. Fischer | Chief Executive Officer and Chairman of the Board of Directors | May 2, 2005 |
| <u>/s/ Cynthia A. Scheuer</u> Cynthia A. Scheuer | Chief Financial Officer (Principal Financial and Accounting Officer) | May 2, 2005 |
| <u>/s/ Dale W. Church</u> Dale W. Church | President of MTI Government Systems and Director | May 2, 2005 |
| <u>/s/ Edward A. Dohring</u> Edward A. Dohring | Director | May 2, 2005 |
| <u>/s/</u> <u>Thomas J. Marusak</u> Thomas J. Marusak | Director | May 2, 2005 |
| <u>/s/ William P. Phelan</u> | Director | May 2, 2005 |

William P. Phelan

/s/ E. Dennis O'Connor

Director

May 2, 2005

E. Dennis O'Connor

/s/ Walter L. Robb

Director

May 2, 2005

Dr. Walter L. Robb

/s/ Beno Sternlicht

Director

May 2, 2005

Dr. Beno Sternlicht