

# ACCOUNTING MEMORANDUM AMENDMENT/SUPPLEMENTAL RESPONSE

EXAM REPORT DATE: November 2, 2009  
OFFICE NUMBER: 5B  
REGISTRANT: Quantum Fuel Systems Technologies Worldwide, Inc.  
FORM: S-3 **withdrawn 8/14/09 – responses are to clear 10-K**  
**comments**  
DATE FILED: 12/22/08 (response filed 10/16/09)  
FILE NO.: 333-156401  
TYPE OF REVIEW: Full ( x ) Full Financial ( ) Target ( )  
LAST FULL REVIEW: Target review of 4/30/2005 10-K, comments issued and cleared  
STATUS OF 1934 FILINGS: current and timely

DATES OF AUDITED AND UNAUDITED FINANCIAL STATEMENTS: 4/30/08 (A)  
1/31/09 (U)

## INDEPENDENT ACCOUNTANTS' REPORT (S) AND CONSENTS:

<u>NAME</u>	<u>CITY/STATE</u>	<u>REPORT DATE</u>	<u>CONSENT DATE</u>
<b><u>April 30, 2008 and 2007 FS</u></b>			
Ernst & Young	Los Angeles, CA	July 2, 2008	December 19, 2008
<b><u>April 30, 2006 FS</u></b>			
McGladrey, Pullen	Irvine, CA	July 28, 2006	December 19, 2008 (disc ops note 3 – July 2, 2008)

## DOCUMENTS EXAMINED:

Registration Statement: ( x ) Current Form 10-K: ( x )

## Subsequent Filings:

Forms 10-Q: 1st Qtr ( x ) 2nd Qtr ( x ) 3rd Qtr ( x )  
Forms 8-K: Yes ( x ) No ( ) N/A ( ) Dates: 10/19/09; 10/15/09; 10/7/09;  
10/6/09; 9/24/09; 9/18/09; 9/11/09; 9/10/09; 9/1/09; 8/20/09; 8/7/09; 8/6/09; 8/6/09; 8/4/09;  
7/29/09; 7/14/09; 6/23/09; 6/11/09; 5/28/09; 5/20/09; 5/13/09; 5/4/09; 3/12/09; 2/18/09;  
1/15/09; 12/22/08; 12/10/08; 11/17/08; 10/3/08; 10/2/08; 9/29/08; 9/10/08; 8/21/08; 8/21/08;  
8/20/08; 8/20/08; 8/13/08; 8/1/08; 7/11/08; 7/9/08; 7/7/08; 7/3/08; 6/30/08; 6/5/08; 5/13/08  
Proxy Statements: Yes ( x ) No ( ) N/A ( ) Dates: DEF 14A filed 8/20/08  
Other (describe):

SUGGESTED COMMENTS: None ( )  
Attached ( x )  
Recommend clearance of F/S ( )  
Additional Information ( x )  
Futures Comments ( )  
Amendment Requested ( x )

## FSS UPDATE DUE:

EXAMINER'S NAME: n/a

NAME OF ACCOUNTANT: Heather Clark

DATE: 11/2/09

NAME OF REVIEW ACCOUNTANT: Cvrkel

DATE: 11/ /09

1. Amendment reviewed for compliance with staff comment letters dated 3/6/09:

All comments were responded to satisfactorily. Yes ( ) No ( x ) N/A ( )

Comments:

2. Reviewed amendment for voluntary revisions. Further staff comments are not necessary (or "Revisions are acceptable").

Yes ( ) No ( ) N/A ( x )

Comments:

3. Request for supplemental information was reviewed and satisfactorily responded to by the registrant.

Yes ( ) No ( x ) N/A ( )

Comments:

4. Updated consent and Accountant's Report appropriately filed.

Yes ( ) No ( ) N/A ( x )

Comments:

5. Complies with financial updating requirements of Article 3 of Regulation S-X.

Yes ( ) No ( ) N/A ( x )

Comments:

6. Reviewed the following filings which have been filed subsequent to the date of my previous memo:

Yes ( x ) No ( ) N/A ( )

Comments: response letter dated 10/16/09, Form 10-Q for the quarter ended 1/31/09, and Forms 8-K filed 10/19/09; 10/15/09; 10/7/09; 10/6/09; 9/24/09; 9/18/09; 9/11/09; 9/10/09; 9/1/09; 8/20/09; 8/7/09; 8/6/09; 8/6/09; 8/4/09; 7/29/09; 7/14/09; 6/23/09; 6/11/09; 5/28/09; 5/20/09; 5/13/09; 5/4/09; 3/12/09

**Staff Accountant's observations and comments:**

All comments cleared unless otherwise reissued below.

**Review Accountant's observations and comments:**

Annual Report on Form 10-K for the fiscal year ended April 30, 2008

General

1. We note that in response to prior comments 3, 14, and 16, the company plans to restate financial statements included in the Annual Reports on Form 10-K for the fiscal years ended April 30, 2008 and April 30, 2007 and in Quarterly Reports for the fiscal quarters ended October 31, 2006 through January 31, 2009. When available, please provide us with your restated financial statements for each period. Please note that your revised financial statements should include all disclosures required by paragraphs 25 and 26 of SFAS 154 with respect to the correction of an error. We may have further comment upon receipt of your response.

**Comment ok/LC**

2. We note from your response to prior comment 4 that the company's MD&A disclosures will be revised in future filings to reflect the updated assessment of the outstanding warrant contracts. Please supplementally provide us with your proposed disclosures.

**Comment ok/LC**

Financial Statements page F-1

Notes to Consolidated Financial Statements, page F-9

Note 1. Background and Basis of Presentation, page F-9

Capital Resources, page F-10

3. We note from your response to our prior comment 8 that the company had issuances of warrants in August and September 2009. Please provide us with the relevant terms and conditions of these warrants and explain in detail in your response why the company believes that equity classification is appropriate.

**Comment ok/LC**

Note 11. Long-term Debt, page F-28

4. We note from your response to our prior comment number 9 that the fair value of the assets of Tecstar transferred to the lender "slightly exceeded" the debt relieved in the transaction. We further note from page 10 of your January 31, 2009 10-Q that the lender received assets valued at \$36.4 million and assumed debt of \$27.4 million. Therefore, the lender received net assets of \$9 million and forgave debt of \$20.5 million. In this regard, we are unclear as to why you believe that no concession was granted by the

lender in this foreclosure and therefore have concluded that SFAS 15 is not applicable. Please provide us with further information that supports your conclusions. As part of your response, please explain how you determined that the fair value of the net assets transferred to the lender slightly exceeded the fair value of the debt eliminated of \$20.5 million. Alternatively, please tell us how your accounting under SFAS 15 would differ from your current accounting treatment and provide your materiality analysis of the difference(s). We may have further comment upon receipt of your response.

**Comment ok/LC**

Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2008

Notes to Condensed Consolidated Financial Statements (Unaudited), page 5  
Note 8. Long-term Debt, page 14

5. We note your response to our prior comment 19 and require further information. As your response refers to us to the last paragraph in comment 14 concerning material restatements, your accounting treatment for the embedded conversion option and make-whole amount feature are unclear. Please tell us, now that the company has reevaluated its accounting for these transactions, your planned accounting treatment for each of the embedded conversion option and the make-whole provision and provide us with your proposed disclosures in your revised financial statements in accordance with SFAS 154. Your response should clearly address whether the embedded conversion option and the make-whole amounts will be separately valued in your revised accounting. We may have further comment upon receipt of your response.

**Comment ok/LC**

6. We note the fair value inputs provided in response to prior comment 19. We further note that the convertible note model did not separately value the embedded principal conversion option and the make-whole amount feature, but rather valued them in aggregate with the host instrument. Given your response to prior comment 15 indicates that you have reevaluated your position with regards to the embedded conversion option and make-whole amount feature, please tell us if the fair values of the debt as detailed in your response to comment 19 will change as a result of your restatements. If so, please provide us with your new calculations of fair value. If not, please tell us why the fair value did not change as a result of the changes in your accounting for the embedded conversion option and the make-whole amount feature. We may have further comment upon receipt of your response.

**Comment ok/LC**

**Other**

7. We have reviewed your responses to our prior comments as included in your response letter dated October 16, 2009. Based on your responses to our various comments regarding your borrowing arrangements, embedded derivatives that exist with respect to your borrowing arrangements and modifications that have been made with respect to your borrowing arrangements, as well as certain warrants that were issued by the

company, it appears that substantial revisions will be required to the company's financial statements for recent annual and quarterly periods. Please note that until we are able to review the company's revised financial statements for the applicable periods in their entirety, we cannot provide the company with any assurance that we will not have further comments. Accordingly, we suggest that the company provide us with drafts of its affected filings in connection with any future responses to our comments that are submitted by the company.

**Comment added/LC**

Form 8-K dated July 10, 2009

8. We note the modifications of the convertible and term notes in July 2009. Please tell us how you accounted for the modifications, including whether the modifications were deemed substantial under EITF 96-19. Your response should include a detailed analysis of the modifications prior and subsequent to the modifications that supports the basis for your conclusions.

**Comment ok/LC**