SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended

OR

☒ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from May 1, 2011 to December 31, 2011

Commission File No.: 0-49629

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**33-0933072**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

17872 Cartwright Road, Irvine, CA 92614
(Address of principal executive offices, including zip code)

(949) 399-4500
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.02 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of the Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ☒ 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 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Exchange Act Rule 12b-2).

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 30, 2011 was approximately $50.1 million, based upon the closing sale price of the Registrant's common stock on such date, as reported on the Nasdaq Global Market. Shares of common stock held by each executive officer and director and each person owning more than 10% of the outstanding common stock of the Registrant have been excluded in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares outstanding of each of the issuer's classes of common stock as of March 23, 2012: 47,028,619 shares of common stock, $.02 par value per share, and 49,998 shares of Series B common stock, $.02 par value per share.

Dear Stockholders,

In May 2012, I became the Chief Executive Officer of Quantum. Since then, I have been able to spend quality time with a number of our stockholders and customers and our employees. I am encouraged by their support and positive feedback. More importantly, I am excited about the deeply ingrained belief they all have in our Company. Our stockholders appreciate and understand the implicit value of our technologies and opportunities. Our customers have a strong and growing interest in our products and capabilities. And our employees have an unwavering spirit to make this company a truly Great Company!

We are on the forefront of what we believe to be a historic opportunity in alternative fuel vehicle technology. In 2011, we experienced significant growth in our clean tech automotive business, primarily driven by natural gas fuel storage revenues and the delivery of our *Q-Drive®*, components to Fisker Automotive for the launch of its first production vehicle – the Fisker Karma. Alternative energy vehicles are currently the fastest growing segment of the United States automotive market. We plan to grow, expand and enhance our profile as a technology leader in the clean tech automotive sector by investing in the expansion of our manufacturing facilities for compressed natural gas and hydrogen storage systems, as well as directing additional resources toward the sale and marketing of our advanced technology storage and hybrid/electric propulsion systems, products, software, and technologies.

Natural gas has clearly emerged as the fuel of choice for fleets due to low prices and abundant domestic supply as a result of the remarkable speed and scale of shale gas development in this country. Broadening interest in natural gas has driven increased demand for our proven, industry-leading and OEM-level natural gas vehicle fuel systems. During 2011, our engineering team advanced next generation hydrogen systems under contracts with General Motors and Daimler, other leading automakers, and the Department of Energy. These advancements continue to support our efforts in compressed storage of natural gas and provide for cost reductions in material and manufacturing processes.

The extended range plug-in hybrid electric Karma by Fisker Automotive which incorporates our innovative plug-in hybrid drive train and control software, known as *Q-Drive®*, entered the production phase in 2011. We see significant opportunities in the marketplace for migrating our extended range hybrid vehicle technology into other vehicle applications. In May 2012, we reached major milestones in the development and validation of our plug-in electric hybrid version of the F-150 pick-up truck and delivered the first production-ready vehicle to Florida Power and Light. We continue to explore other opportunities in this area as we believe our cutting edge products and technologies uniquely position us to be a leading Tier 1 supplier in this space.

We are highly focused on our automotive business and the abundant opportunities within automotive clean tech. We have built up significant intellectual capital, patents and proprietary processes that provide for a great foundation to capitalize on the growing alternative energy automotive sector. Our mission is to put a strategic framework around this foundation to enable us to reach new heights. I am working with our Board and the management team to define, measure, articulate, and execute on this strategic focus.

Moving forward, we will aggressively seek to reduce operating costs, particularly our corporate, general, and administrative expenses, through a variety of cost-cutting initiatives. Some of these have already been implemented in full or in part, including executive attrition and salary reductions, and consolidation of facilities. Recently, our Board evidenced their leadership and support of this initiative by taking a significant reduction in their fees.

I strongly view it as a privilege to serve our stockholders in my new role as Chief Executive Officer. I have been in the alternative energy industry for the past eighteen years and have served as a senior executive at Quantum for the past ten. I have a renewed outlook on our business and look forward to building a sustainable future around our exciting automotive technology. We have a strong, dedicated employee base with extensive experience in the alternative energy industry, forward-looking programs with key industry leaders, and a unique product and software portfolio that represents the here, the now, and the future. Our commitment to you is to leverage our strengths into something significant and create a thriving future for Quantum.

On behalf of Quantum, I thank our employees, directors, and stockholders for their continued support and look forward to an exciting 2012 and beyond.

W. Brian Olson
Chief Executive Officer

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

All statements included in this report for the transition period beginning May 1, 2011 and ending December 31, 2011 (the Transition Report") on Form 10-K and any documents incorporated herein by reference, other than statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. Forward-looking statements can generally be identified by words such as "may," "could," "will," "should," "assume," "expect," "anticipate," "plan," "intend," "believe," "predict," "estimate," "forecast," "outlook," "potential," or "continue," or the negative of these terms, and other comparable terminology. Examples of forward-looking statements made herein and in the documents incorporated by reference herein include, but are not limited to, statements regarding: our expected liquidity needs; our belief that we will need to raise additional capital to fund our future operations and to support our existing and new customer programs; our expectation that we will be able to raise a sufficient level of debt or equity capital to repay our debt and fund our operations; our belief that our current operating plan will allow us to achieve profitability; our expectations and forecasts of future revenue, expenses, gross margin and operating profit (loss); our potential revenue under our contract awards; the level of growth in the hybrid, plug-in hybrid and fuel cell and alternative fuel industries; our expectation that our revenues from Fisker Automotive for the 2012 calendar year and the foreseeable future will continue to represent a substantial portion of our total revenues; when our *Q-Drive* powertrain architecture and other products and technologies will be commercialized; our expectation that initial commercialization for our hydrogen and fuel cell vehicle products will begin in the 2013-2015 time frame followed by scaled market adoption in the second half of this decade; our plans to develop new lower cost technologies; if and when Fisker Automotive will go to high volume production; the number of vehicles that Fisker Automotive expects to sell; Fisker Automotive's intention to use the proceeds of a Department of Energy loan to complete the development, testing and tooling for its Karma vehicle platform and future vehicle platforms; our expectation that the Karma line of vehicles will continue over the next five to six years; our belief that we will be a supplier to Fisker Automotive on a long-term basis; our plan to continue the development of our hybrid drive systems and hydrogen vehicle and refueling technologies to meet market opportunities; our belief that our fuel cell and hydrogen-based enabling products of fuel storage, fuel delivery and battery and electronic control systems along with our vehicle-level system integration experience can be effectively applied in the transportation and hydrogen refueling infrastructure markets; our expectation that we will devote substantial capital resources to, among other things, funding operations, expanding our CNG tank production facility, continuing development programs and building out and increasing our portfolio of wind and solar energy farms; our anticipation that we will generate revenues and cash flows through the sale of ownership interests in our renewable energy projects and through development and construction services for renewable energy projects owned by third parties; our expectation that our Electric Drive & Fuel Systems business segment will use the proceeds from a grant by the California Energy Commission to assist in the development of certain components for our next generation of hybrid drive system; our plan to increase our participation in hybrid, plug-in hybrid and hydrogen vehicle programs and enhance our leadership position as a tier-one automotive supplier of advanced propulsion systems, alternative fuel systems, powertrain engineering, and system integration services; our plan to use our existing renewable energy and development platform to expand our ownership of energy producing projects and enhance our involvement in renewable energy; our expectation that we will realize improvement in our gross margins as we anticipate increased shipments of *Q-Drive* components to Fisker Automotive; our expectation that product revenue will increase in due to Fisker Automotive's anticipated increase in production of the Fisker Karma, increased sales of CNG systems and the planned launch of our F-150 plug-in hybrid electric vehicle program; our expectation that the U.S., state and local governments will continue to support the advancement of alternative fuel and renewable energy technologies through loans, grants and tax credits; the possibility that we may reapply in the future for California Energy Commission or other government supported renewable energy program funding; our belief that we have a competitive advantage over our competitors; our expectation that we will face increased competition in the future as new competitors enter the market and advanced technologies become available; our belief that establishing and maintaining strong strategic relationships with valued customers and OEMs are the most significant factors protecting us from new competitors; our intentions to support the growth of our subsidiary, Schneider Power, and our German affiliate, Asola; our expectation that Schneider Power's operating activities will increase in our fiscal year ended

December 31, 2012 if we are able to obtain sufficient project debt and equity financing to enable continued development and construction of Schneider Power's portfolio of wind and solar farm projects; our intentions to establish and expand joint development programs and strategic alliances with automotive OEMs, the major lithium ion battery producers, commercial fleets and other leaders in the alternative energy industry and to secure outside funding to support these programs; our intention to expand our footprint in renewable energy projects by developing, constructing and owning various wind and solar projects in North America and the Caribbean that we have in our existing project pipeline and to continue prospecting for future renewable energy sites; our belief that India holds one of the highest natural gas vehicle growth potentials in the world; our intention to continue to pursue opportunities to expand our business in India; our belief that there are expanding opportunities to provide the initial refueling products such as mobile refueling units, compact stationary refueling units, and hydrogen storage for bulk transport trailers; our plan to leverage our storage, metering and control technologies, and integration capabilities to capitalize on the need for mobile and stationary hydrogen refueling units; our plan to utilize our full array of storage technologies, developed for automotive and refueling applications, in broader applications within the energy industry; our anticipation that a substantial portion of our current product order backlog will be completed by the end of the 2012 calendar year; our belief that the price of natural gas will stay relatively low for the foreseeable future, which we expect will continue to drive demand for our carbon composite high capacity CNG storage systems; our belief that our CNG storage systems are the lightest in the industry and that lightweight tanks help to lower operation and maintenance costs and improve gas mileage; our belief that lightweight tanks enable trucks and buses to carry significantly more fuel on board and operate for long distances without compromising their payload capacity or driving characteristics; our relationship with General Motors and the impact such relationship will have on our ability to develop our products; our expectation that we will not pay any cash dividends in the foreseeable future and that we will retain our future earnings for use in the operation and expansion of our business; the impact that new accounting pronouncements will have on our financial statements; the effect that an adverse result in Asola's dispute with its solar cell supplier would have on our financial statements; our belief that we are uniquely positioned to integrate advanced fuel systems, electric drive, software control strategies and propulsion control systems technologies; our belief that there is significant commercial opportunity for the *Q-Drive* system; our belief that a commercial market is developing for our *Q-Drive* system due to Fisker Automotive's production launch of the Fisker Karma vehicle platform and that it will demonstrate the technical feasibility and fuel economy advantages of our plug-in hybrid electric vehicle technology; our anticipated increase in product shipments to Fisker Automotive during the 2012 calendar year; that if Fisker Automotive completes an initial public offering, it would have a positive impact on the overall value for Quantum stockholders; our belief that our contract awards demonstrate our leadership in advanced high pressure gaseous storage technologies and the automotive OEMs renewed focus on alternative fuel solutions; our expectation that our wind and solar power generation business segment will generate positive cash flows; our expectation that long-term market conditions and the demand for renewable energy will improve; our anticipation of increased revenues and improved profit margins, which we expect to reduce the levels of cash required for our operating activities as compared to historical levels of use; our intention to commercialize newly developed variations of our proprietary hybrid vehicle propulsion systems and subsystems into production programs with other automotive OEMs, utilities and fleets, military programs and other customer groups such as the U.S. Postal Service; our plan to commercialize certain proprietary hybrid drive subsystems including hardware and software controls, electronics and inverter systems; our intention to focus our product development efforts on advancing our hybrid propulsion systems and technologies to further improve performance, reduce cost and support broader commercialization; our plan to continue to develop and refine our hybrid drive systems and subsystems to capture new customers in a growing hybrid vehicle market; our plan to leverage our hybrid drivetrain technology and systems integration capabilities to continue to advance our hybrid control systems, motor control software and propulsion system control strategies; that we will continue to expand our customer base and commercialization partnerships in our efforts to further develop advanced and lower cost hybrid drive system component parts and secure customer funding and partnerships to make these advancements; our plan to continue to leverage our advanced fuel systems, and other alternative vehicle technologies to assist OEMs in advancing the commercialization of hydrogen, fuel cell and other alternative fuel and specialized vehicle applications; our intention to apply our expanded vehicle-level design, powertrain engineering, vehicle electronics and system integration expertise to emerging OEM and fleet vehicle programs to capture full scale production opportunities; our belief that our industry-leading hydrogen storage systems can enhance the availability of intermittent renewable resources, like wind and solar by providing cost effective storage options; our expectation that the increased demand for our CNG storage systems will continue in the 2012 calendar year; our expectation that product revenue from the sale of CNG storage tanks will more than double in the 2012 calendar year; our expectation of additional product revenue from the sale of our recently introduced CNG cylinder technology; our expectation that consolidated revenues in the 2012 calendar year will be higher than the consolidated revenues in the 2011 calendar year, based on the anticipated increase in production of the Fisker Karma, the expected increase in sales of our CNG storage systems, and our expanding hydrogen storage development programs; our expectation that we will recognize non-cash gains or losses on our derivative instruments each reporting period and that the amount of such gains or losses could be material; our anticipation that regulatory bodies will establish certification procedures and impose regulations on fuel cell enabling technologies; our belief that the insurance we carry is adequate given the nature of the covered risks and the costs of the coverage; our belief that our efforts have strengthened our internal control over financial reporting and address the concern that gave rise to the material weakness as of April 30, 2009; and our expectation that the market price of our common stock will continue to fluctuate significantly.

Although we believe the expectations and intentions reflected in our forward-looking statements are reasonable, we cannot assure you that these expectations and intentions will prove to be correct. Various risks and other factors, including those identified in this Transition Report under the "Risk Factors" section and those included in our other public filings that are incorporated herein by reference, could cause actual results, and actual events that occur, to differ materially from those contemplated by the forward looking statements.

Many of the risk factors are beyond our ability to control or predict. You should not unduly rely on any of our forward-looking statements. These statements are made only as of the date of this report. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect future events or developments. All subsequent written and oral forward-looking statements attributable to us and persons acting on our behalf are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this Transition report.

PART I

Item 1. Business.

Unless the context otherwise requires, "we," "our," "us," "Quantum" and similar expressions refers to Quantum Fuel Systems Technologies Worldwide, Inc. and its subsidiaries. We are a United States public company listed on NASDAQ with our corporate offices located in Irvine, California.

Change in Fiscal Year

On January 13, 2012, our Board of Directors approved a change in our fiscal year-end from April 30 to December 31. The change is effective as of December 31, 2011. In connection with our change in fiscal year, we are filing this Transition Report and the accompanying consolidated financial statements which cover the eight month period beginning May 1, 2011 and ending December 31, 2011 and the historical activities of the years ended April 30, 2009, 2010 and 2011. Our next fiscal year will cover the period from January 1, 2012 through December 31, 2012.

Background

We were incorporated in the state of Delaware in October 2000 and became a public company beginning on July 23, 2002.

Our consolidated financial statements include the accounts of Quantum Fuel Systems Technologies Worldwide, Inc., our wholly owned subsidiary, Schneider Power Inc. (Schneider Power), and our majority-owned subsidiary, Quantum Solar Energy, Inc. (Quantum Solar).

On April 16, 2010, we completed the acquisition of Schneider Power, an alternative energy company with a portfolio of clean electricity generation development projects and land positions in prospective wind and solar power areas in North America and the Caribbean.

We also hold ownership interests in certain unconsolidated active businesses that are accounted for either under the equity or cost methods of accounting. These interests include: (i) a 24.9% interest in Asola Solarpower GmbH (formerly Asola Advanced and Automotive Solar Systems GmbH), (ii) a 24.9% interest in Asola Quantum Solarpower AG (AQS), (iii) a 25% interest in Shigan Quantum Technologies PVT LTD (Shigan Quantum), (iv) a 22% interest in Power Control and Design, Inc. (PCD), and (v) less than 1% interest in Fisker Automotive, Inc. (Fisker Automotive).

Overview

We are a fully integrated alternative energy company and a leader in the development and production of natural gas, fuel cell and other advanced clean propulsion systems and renewable energy generation systems and services. We believe that we are uniquely positioned to integrate advanced fuel and electric drive systems, software control strategies and propulsion control system technologies for alternative fuel vehicles, in particular, natural gas, plug-in hybrid electric, electric, fuel cell and hydrogen hybrid vehicles based on our years of experience in vehicle-level design, system and component software development, vehicle electronics, system control strategies and system integration. Our customer base includes automotive Original Equipment Manufacturers (OEMs), military and governmental agencies, aerospace, and other strategic alliance partners. Since 1997, we have sold approximately 20,000 systems for alternative fuel vehicles, primarily to General Motors.

We classify our business operations into three reporting segments: Electric Drive & Fuel Systems, Renewable Energy and Corporate. The Corporate segment consists of general and administrative expenses incurred at the corporate level that are not directly attributable to the Electric Drive & Fuel Systems or

Renewable Energy business segments. The Corporate segment also includes activities of our anticipated future operating segments. Certain financial information related to each of our reporting segments can be found in the financial statements that are included in this Transition Report.

Business Operations and Products and Services

Electric Drive and Fuel System Segment

We provide hybrid drivetrain and advanced fuel system design, powertrain engineering, electronic control and software strategies, system integration, manufacturing and assembly of CNG and hydrogen tanks, propulsion systems and sub-systems for a variety of automotive applications including hybrid electric vehicles, electric vehicles, plug-in hybrid electric vehicles (PHEV), fuel cell electric vehicles, and other alternative fuel vehicles. We also design, engineer and manufacture hybrid and fuel cell concept vehicles and hydrogen refueling systems primarily for use in the transportation, aerospace, and military industries. Our proprietary plug-in hybrid drive system technology can be packaged utilizing different designs, technologies and subsystems. Our drive systems include complete systems or sub-systems and components and are designed to improve vehicle fuel economy and performance, leverage existing gas station infrastructure, and utilize home-based battery recharging.

Our packaged fuel systems are comprised of high pressure composite tanks, injection, regulation, monitoring, and electronics and control systems designed to improve efficiency, enhance power output, and reduce pollutant emissions from hybrids, plug-in hybrids, internal combustion engines, natural gas and hydrogen fuel cell vehicles. Recently we introduced a CNG cylinder technology capable of allowing Class 8 trucks to travel 1,000 miles before refueling. We believe the price of natural gas will stay relatively low for the foreseeable future, which we expect will continue to drive demand for our carbon-composite high-capacity CNG storage systems. We believe our CNG storage systems are the lightest in the industry and that lightweight tanks help to lower operation and maintenance costs and improve gas mileage. We also believe lightweight tanks enable trucks and buses to carry significantly more fuel on board and operate for long distances without compromising their payload capacity or driving characteristics.

We developed our *Q-Drive*® hybrid system for the Fisker Karma platform. We also have other derivative drive systems within our family of hybrid drives, including a new advanced all-wheel-drive diesel hybrid electric powertrain that we refer to as *Q-Force* and our proprietary *F-Drive* propulsion system specifically engineered for a plug-in electric hybrid version of the Ford F-150 pickup truck, one of the highest volume selling fleet vehicles in America. The *F-Drive* system provides a unique combination of low operating costs through substantially increased fuel efficiency, reliability, low maintenance cost, emission reduction benefits and extended range capability. Ideal for fleet vehicle driving characteristics, the F-150 PHEV is designed to have a 35 mile electric-only range, shifting to hybrid electric mode thereafter for a total range of approximately 400 miles. We are partnering with The Dow Chemical Company to launch a plug-in hybrid electric F-150 truck incorporating our proprietary *F-Drive* propulsion system specifically designed for the Ford F-150 pickup truck.

We supply our hybrid electric drive systems and packaged fuel systems for alternative fuel vehicles to OEM customers for use by consumers and for commercial and government fleets. We believe a commercial market is developing for our *Q-Drive* system due to Fisker Automotive's production launch of the Fisker Karma vehicle platform. We believe this is the first step to market introduction and will demonstrate the technical feasibility and fuel economy advantages of PHEV technology.

We are also engineering and developing a "2nd Generation" scaled version of our hybrid drive system that is specifically directed at lower-cost light duty vehicles, including mid-size cars and pickup trucks, to significantly advance PHEVs and the average fuel economy in the near term.

We also provide our hybrid electric propulsion systems, gaseous hydrogen fuel systems and refueling products for fuel cell applications to major OEMs and other customers through funded research and development contracts and on a prototype basis. These hydrogen fuel cell systems and hydrogen refueling products are not currently manufactured in high volumes and will require additional product and application development. We expect initial commercialization for our hydrogen and fuel cell vehicle products to begin in the 2013-2015 time frame followed by scaled market adoption in the second half of this decade.

The current market for our hybrid drive systems and packaged fuel systems for PHEVs, electric, fuel cell electric vehicles and hydrogen hybrid electric vehicle applications is the emerging world market for passenger, fleet, industrial and military vehicles. We plan to continue the development of our hybrid drive systems, CNG and hydrogen vehicle and refueling technologies to meet market opportunities. Working with OEMs, we are focusing our enabling technology marketing efforts on North America, Europe and Asia-Pacific.

Our Electric Drive and Fuel Systems products, technologies and services include:

Products:

- *Electronic vehicle control systems and software*—our proprietary software is the heart of its hybrid systems and the key enabler of its high efficiency operation. The company has OEM level software incorporating torque security features per ISO26262 in a Spice Level 2 compliant package. These control systems monitor and optimize electrical control strategies and/or gaseous fuel flow to drive systems to meet manufacturers' and government hybrid electric, fuel cell, or engine requirements. The hybrid control software systems optimize the operation of all hybrid and PHEV subsystems including the engine, generator, motor, inverters, battery system, power converters, and charger to maximize fuel economy while minimizing emissions.
- *Lithium ion and advanced battery control systems*—we work with leading energy storage system manufacturers to provide state of the art battery systems tailored to each drive system application. These energy storage systems include high energy and power lithium cells, battery management systems, thermal control systems, state of charge/health and control algorithms, integrated into complete battery packs developed for automotive applications.
- *Inverters and Motors*—we provide customization of inverters and a variety of motors as an integral subsystem to our drive systems. The inverters are very efficient and compact devices which have been specified and/or designed by us. Our drive systems use primarily Interior Permanent Magnet motors due to their substantially higher efficiency, especially at low speeds. For products not available off-the-shelf, we will have them contract manufactured to meet product or customer specifications.
- *Engine/Generator and Fuel Cell Power*—we provide power generating systems for use as a prime-mover or range extender. We optimize engines to operate at high efficiency and with low emissions on conventional or alternative fuels. We develop specifications and contracts production of customized generators to maximize vehicle efficiency. We also have experience integrating fuel cells and hydrogen storage and supply systems into vehicle applications.
- *Fuel storage*—advanced composite, ultra-lightweight tanks that provide cost-effective storage of compressed natural gas or hydrogen at pressures to 15,000 psi (1000 bar).
- *Fuel delivery*—pressure regulators, fuel injectors, flow control valves, and other components designed to control the pressure, flow and metering of gaseous fuels
- *Accessories*—we also provide accessories such as DC-DC converters, DC-AC inverters, electric air conditioning systems, power steering pumps, etc with its complete hybrid drive systems. We specify and have the components contract manufactured to meet its high quality, high efficiency requirements.

Services:

- *Vehicle Design and Prototype Vehicle Builds.* We design complete concept and low-volume production vehicles to demonstrate hybrid, plug-in hybrid, and fuel cell vehicle architecture. We also provide complete vehicle builds on a concept and prototype basis.

- *Systems Integration.* We integrate our advanced hybrid drive systems with battery systems, advanced fuel storage, fuel delivery, engines, electric motors, inverters, generators, and electronic vehicle control components into hybrid and PHEVs, CNG and hydrogen fueled vehicles, fuel cell vehicle applications, as well as hydrogen refueling products. We also employ rapid prototyping techniques, which accelerate the iterative design process and result in a more accurate design.
- *Testing and Validation.* To increase the likelihood of high success rates at the system level, we perform component, subsystem and system testing and validation. The company has test equipment (shaker tables, temperature chambers, salt spray booths, roller and engine dynamometers, etc) to test and validate most automotive devices. These procedures must satisfy our own internal requirements, customer-specific requirements and industry standards. If no suitable procedures exist, we generate requirements for the customer.
- *Certification and Compliance.* Our regulatory and certification engineers endeavor to implement the latest emissions and safety regulations in efforts to ensure the proper certification and ongoing compliance of our products and our business. We certify complete vehicles in our CARB and EPA certified test lab.
- *Production Engineering and Manufacturing Process Development.* We provide complete production engineering and manufacturing process development for our limited volume production process as a tier-one OEM automotive supplier and for certain military applications.
- *Vehicle Level Assembly.* We develop and manage the assembly process for integration of our systems into end products at our facilities or at our customers' facilities for low to high volume applications. We also build complete concept vehicles.
- *Training.* We develop comprehensive technical training for customers that sell and service our products as well as for those that use our products.
- *Service and Warranty.* We have extensive capabilities in developing service procedures, diagnostics, tools, and complete repair/maintenance programs for OEMs. We also provide technical support over the telephone or at customer sites to resolve technical issues.

Renewable Energy Segment

We currently generate electrical power from wind turbines operating in Ontario, Canada under a long term Power Purchase Agreement with a Canadian-based renewable energy reseller from which we derive revenue. In general, the predictable nature of the wind resource, the demonstrated reliability of the turbines, the low cost of operations including zero cost of fuel, and the long term fixed rate financing structure contribute to a highly predictable and consistent cash flow stream from wind farms. As we grow our wind and solar power generation asset base, we expect the steady financial return aspect of this business segment to generate positive cash flows.

Development of wind and solar farm projects involves several sequential stages of completion and advancement before the project becomes operational. These stages will generally include the feasibility study of the project, negotiating land easements, securing grid interconnections on the subject project, performing environmental studies, entering a power purchase agreement, arranging for construction financing, managing the construction, and commissioning the project. These stages will generally include:

- *Feasibility Studies*—studies are first conducted to obtain sufficient data to validate the energy capacity of a prospective project;
- *Land Easements*—for land parcels that we do not control, we must negotiate with local landowners to obtain easements to allow for the development of a wind and/or solar project on their properties;
- *Grid Interconnections*—applications are submitted to the local regulated utility distributor to obtain approval for grid interconnections on the subject project;

- *Environmental Studies*—assessments and feasibility studies are completed and submitted to federal, provincial and municipal governments to obtain permits for construction and commissioning of the project;
- *Power Purchase Agreements (PPAs)*—PPAs are negotiated and secured with the local regulated utility or government power agency and establish rates to be paid for power generated by our projects and the term of the agreement (generally 20 years);
- *Construction Financing*—installation of the project infrastructure and systems requires significant capital outlays that is financed with equity capital, project debt (typically non-recourse) or a combination thereof;
- *Commissioning*—upon completion of the construction phase, standard electrical tests are performed and adjustments are made to the wind turbines and/or solar panel arrays to validate the safe and efficient operation of the installed systems.

Wind and solar energy project returns depend mainly on the following factors: energy prices, transmission costs, wind and solar resources, wind turbine and solar module costs, construction costs, financing cost and availability of government incentives. In applying our strategy, we take into account the combination of all of these factors and focus on margins, return on invested capital and value creation as opposed solely to project size. Some of our projects, while having high construction costs, still offer attractive returns because of favorable wind and solar resources or higher energy prices. Additionally, in many cases, smaller, more profitable projects can create as much absolute value as do larger, lower-returning projects. We assess the profitability of each project by evaluating its net present value.

An energy project may be financed with all equity or a combination of equity and debt. Due to the capital requirements for these projects, Schneider Power has historically entered into strategic relationships to provide for project financing. Schneider Power will evaluate its project portfolio and assess sale, joint venture or own-account alternatives on a project-by-project basis once certain milestones are achieved. If Schneider Power decides to enter into strategic relationships to provide for project equity and/or debt financing on certain of its projects, we anticipate that a typical strategic relationship would be structured in one of two ways, (i) Schneider Power would transfer a majority interest to a strategic partner for a development fee while retaining a minority carried interest in the project; or, alternatively, (ii) Schneider Power would transfer a partial interest to a strategic partner for a development fee while retaining a pro rata interest in the project. We would anticipate that Schneider Power and the strategic partner would also enter into a development agreement pursuant to which Schneider Power would provide development services for the project in addition to receiving a development fee.

In addition to energy sales on our existing wind electricity generation facilities and future wind and solar energy facilities that we are currently developing, we anticipate generating revenues and cash flows through the sale of ownership interests in our renewable energy projects and through development and construction services for renewable energy projects owned by third parties.

Industry Overview and Recent Developments

Hybrid and Plug-in Hybrid Electric Vehicle Industry

The electrification of transportation via electric vehicles, hybrid technology, and plug-in hybrid vehicles offers a technological option to address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns. Hybrid electric vehicles use both an electric motor and an internal combustion engine to propel the vehicle. A hybrid is designed to capture energy that is normally lost through braking and coasting to recharge the batteries (regenerative braking), which in turn powers the electric motor without the need for plugging in. There is already a variety of hybrid electric vehicles available to consumers today and the hybrid vehicle market is growing. Cities across the country are already benefiting from the use of hybrid electric buses in their communities. Advantages of hybrid electric vehicles include: reduced fuel consumption and tailpipe emissions, optimized fuel efficiency and performance, lower fuel costs, and they are able to use the existing gas station infrastructure. The main challenges include the limited availability of components (batteries, powertrains, power electronics) and the higher initial cost. Even with these challenges, the demand for hybrid electric vehicles has continued to increase. J.D. Powers & Associates reports that hybrid electric vehicle sales are expected to represent 7% of the total car market in 2015. In addition, the U.S. Military has mandated a 5% per annum reduction in its internal fuel usage and is seeking fuel-efficient applications/ vehicles to meet this mandate. In May 2009, the Obama administration announced new Corporate Average Fuel Economy (CAFE) standards mandating automakers to increase the average fuel economy of their U.S. vehicle fleets to 35.5 miles per gallon (mpg) by 2016, accelerating the previous timeline for compliance by four years to 2016 from 2020. The accelerated timeframe provides further clarity to automakers to accelerate development of hybrid/electric vehicle platforms. Further, President Obama's administration announced in May 2011 that by the end of December 2015 all new light duty vehicles leased or purchased by government agencies must be alternative fueled vehicles, such as hybrid or electric, compressed natural gas or biofuel. The timeline is part of the Obama's administration plan to cut US oil imports by a third by 2025 and put a million advanced vehicles on the road by 2015.

Recent advances in batteries and other components have resulted in the emergence of PHEVs. As with other hybrids, a PHEV vehicle has the ability to run on either electricity or a small internal combustion engine that drives a generator to produce electricity. PHEVs have a larger battery than the batteries used in conventional electric hybrids and they can be recharged by plugging into an appropriate outlet. Recharged vehicles are designed to provide 20-60 miles of all electric, zero emission range without engine power. Advantages of plug-in hybrids include: reduced fuel consumption and tailpipe emissions, optimized fuel efficiency and performance, recovered energy from regenerative braking, unchanged gas station infrastructure, grid connection potential, "home based" battery recharging at a fraction of the cost of petroleum equivalent, pure zero emission capability, even lower fueling costs compared to battery sustaining hybrids, and possible use in secondary markets for used batteries and reduced waste. Our hybrid control software systems optimize the operation of all hybrid and PHEV subsystems including the engine, generator, motor, inverters, battery system, power converters, and charger to maximize fuel economy while minimizing emissions. But, challenges still remain, including cost and complexity of two powertrains, limited supplier base and component availability (batteries, powertrains, power electronics), higher initial cost, cost of batteries and battery replacement, unproven technologies and added vehicle weight. Advanced battery technologies and systems, specifically lithium-ion batteries, are considered to be the key enabling technology for the commercial viability of PHEVs.

In addition to providing incentives to businesses to advance the development of hybrid and electric vehicles, the U.S. government has provided and is expected to continue to provide incentives to taxpayers to purchase and place in service qualified hybrid vehicles through the use of tax credits.

Advanced batteries, capable of meeting standards for durability, performance, and weight, are a key technology for plug-in hybrid electric vehicles and other electric vehicles. The DOE has been providing assistance to construct or upgrade battery manufacturing, component, and recycling plants for lithium-ion and other advanced batteries, as well as for production factories for electric drive vehicle power electronics via grant and loan programs. These programs are expected to help lower the cost of battery packs, batteries, and electric propulsion systems, enabling manufacturers to establish a thriving domestic electric vehicle industry. These advanced battery factories will also support battery manufacturing for consumer products, as well as military and utility applications. The DOE has also pledged to support demonstration, evaluation, and education projects to help develop the market for advanced electric drive vehicles. Additionally, California and other states are providing grants to support alternative fuel vehicle technology to assist in the commercialization of plug-in hybrid electric vehicles and other electric vehicles.

We have developed our *Q-Drive* hybrid system for Fisker Automotive's first production car, a plug-in hybrid sports sedan called the Fisker Karma. Our *Q-Drive* system evolved over several years of innovation and development. Our *Q-Drive* system takes full advantage of the performance potential of electric drive systems while achieving high fuel mileage and low emissions through its integrated plug-in hybrid electric vehicle design. Benefits of our *Q-Drive* system include optimized fuel efficiency and superior performance, unchanged gas station infrastructure, and convenient battery recharging with any 110-volt outlet, 220/240-volt fast-charging, or possibly using a solar energy powered re-charging station. We believe a commercial market is developing for our *Q-Drive* system due to Fisker Automotive's production launch of the Fisker Karma vehicle platform, which was first delivered to retail customers in late 2011. We believe this is the first step to market introduction of our *Q-Drive* technology and will demonstrate the technical feasibility and fuel economy advantages of our plug-in hybrid electric vehicle technology.

We have been providing drivetrain development and vehicle integration services to Fisker Automotive for their Fisker Karma vehicle since November 2007. Production of the Karma officially commenced in April 2011, and, since then, we have been providing production level component parts to Fisker Automotive pursuant to our long-term production supply agreement with Fisker Automotive. We also continue to provide Fisker Automotive with production support engineering services for the Fisker Karma vehicle.

Other recent hybrid and electric vehicle programs include:

In May and June 2011, we announced that we received orders from The Dow Chemical Company and Florida Power & Light totaling in excess of $14.0 million for our F-150 PHEVs powered by our *F-Drive* hybrid system. We expect delivery of the F-150 PHEVs will occur over a three year period beginning in 2012.

In February 2010, we announced that we were selected by the US Postal Service (USPS) to produce an advanced electric postal delivery vehicle based on the widely used Long Life Vehicle (LLV) platform. We were competitively selected, along with 4 other companies, for participation in a one year demonstration and validation program to be conducted by the USPS in Washington DC. A successful demonstration in the nation's capital could pave the way to broad adoption of battery electric vehicles in the USPS fleet. Electrification of the 142,000-strong LLV segment of the postal delivery fleet, the largest civilian fleet in the country, will help to reduce emissions across the country and reduce dependence on foreign petroleum while supporting the continued development of the US EV industry. In October 2010, we delivered a demonstration vehicle to USPS that is currently under test and evaluation.

In November 2009, we announced that we had designed, developed and shipped diesel electric hybrid vehicles to the U.S. Army—Tank Automotive Research Development and Engineering Center (TARDEC). We developed the Clandestine Extended Range Vehicle (CERV) for TARDEC, which is a hybrid electric vehicle targeted for quick-paced special operations-type missions involving reconnaissance, surveillance, and targeting. The CERV design incorporates our *Q-Force* architecture, which is a new advanced all-wheel-drive diesel electric hybrid powertrain.

In October 2008, we announced that we had designed, developed and shipped a new generation of hybrid electric vehicles incorporating hydrogen internal combustion engines to TARDEC for deployment at the Selfridge Air National Guard Base (SANGB). This deployment is part of a larger test and demonstration program involving TARDEC joint service partners around the country, in support of the US Army's 21st Century Base Initiative. The hydrogen-powered vehicles help to reduce emissions and provide an opportunity to verify and utilize the existing hydrogen refueling infrastructure.

In March 2007, we were awarded a contract with California's South Coast Air Quality Management District (AQMD) to develop and demonstrate PHEVs. Under this program, we developed, manufactured, and deployed 20 Ford Escape PHEVs for demonstration in Southern California. Under the program, we utilized our OEM system engineering and vehicle integration methodologies in the development of a plug-in hybrid version of the 2010 Ford Escape Hybrid. The PHEV system was based on integrating a lithium-ion battery pack and management system. In January 2011, we completed the shipment of all 20 vehicles.

Alternative Fuel Vehicle Industry

The compressed natural gas (CNG), hydrogen and fuel cell vehicle industry also offers a technological option to address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns. Fuel cell and CNG/hydrogen-based internal combustion engine vehicles have emerged as a potential alternative to existing conventional internal combustion engine vehicles because of their higher efficiency, reduced noise and/or lower tailpipe emissions. Fuel cell industry participants are currently targeting the transportation and hydrogen refueling infrastructure markets. We believe that our CNG and hydrogen-based enabling products of fuel storage, fuel delivery and battery and electronic control systems along with our vehicle-level system integration experience can be effectively applied in these markets.

Our packaged alternative fuel systems are comprised of high pressure composite tanks, injection, regulation, monitoring, and electronics and control systems designed to improve efficiency, enhance power output, and reduce pollutant emissions from hybrids, plug-in hybrids, internal combustion engines, natural gas and hydrogen fuel cell vehicles.

Compressed Natural Gas Fuel Storage Systems

Recently, we introduced a CNG cylinder technology capable of allowing Class 8 trucks to travel 1,000 miles before refueling. We believe the price of natural gas will stay relatively low for the foreseeable future, which we expect will continue to drive demand for our carbon-composite high-capacity CNG storage systems. We believe our CNG storage systems are the lightest in the industry and that lightweight tanks help to lower operation and maintenance costs and improve gas mileage. We also believe lightweight tanks enable trucks and buses to carry significantly more fuel on board and operate for long distances without compromising their payload capacity or driving characteristics.

In the 2011 calendar year and through the first two months of the 2012 calendar year, we received approximately $5.0 million and $2.0 million in purchase orders, respectively, for our CNG storage tanks and systems.

In January 2012, we also entered into an agreement with a large automotive OEM for a multi-year program to provide CNG storage systems for a full size passenger vehicle platform.

In May 2007, we announced that we had signed an agreement for the marketing, sales and distribution in India of our alternative fuel vehicle products and systems for natural gas, blends of natural gas and hydrogen, and liquid propane gas. In March 2009, we announced that we were awarded a contract to upgrade Volvo-Eicher Commercial Vehicles Ltd.'s (Volvo's) four and six cylinder engine platforms, using our gaseous fuel injection systems and powertrain engineering expertise, to meet certain new stringent emissions regulations in India that came into effect beginning April 2010. We believe that India holds one of the highest natural gas vehicle growth potentials in the world and we intend to continue to pursue opportunities to expand our business in this market. This strategic alliance led to our equity investment in Shigan Quantum in September 2009.

Fuel Cell and Hydrogen-Based Storage Systems

Fuel cell and hydrogen-powered hybrid vehicles are being designed to provide clean, quiet power for a variety of applications in transportation, fleet, industrial and military vehicles. The commercialization of fuel cells in all of these markets will require cost reductions for the entire system, including the fuel cell stack, fuel system, balance-of-plant, and assembly.

A fuel cell is an electrochemical device that produces electricity by combining hydrogen with oxygen from the air. This electrochemical reaction occurs silently and without combustion, with useable heat and water as the only by-products. The system can use as its base fuel either pure hydrogen or hydrogen derived from hydrocarbon fuels, such as methanol, natural gas or petroleum, using a device called a reformer. A reformer breaks down hydrocarbon fuels using heat and a catalytic process. Regardless of the fuel used to provide hydrogen, the fuel cell system will require on-board hydrogen storage, fuel delivery and electronic controls. We believe that the keys to optimizing the performance of a fuel cell are proper metering and delivery of hydrogen fuel and air to its fuel cell stacks and efficient storage of the fuel to maximize its total operation time; an area that we have expertise in.

There are now over 100 hydrogen-refueling stations worldwide, with essentially all the stations dispensing compressed hydrogen. Certain states have established statewide initiatives to encourage the implementation of hydrogen and fuel cells which include California, Colorado, Florida, Illinois, Michigan, New Mexico, New York and Ohio.

Other examples of fuel cell and hydrogen demonstration programs include the California Fuel Cell Partnership, California Stationary Fuel Cell Collaborative, Compressed Hydrogen Infrastructure Program, Clean Energy Partnership in Berlin, Controlled Hydrogen Fleet & Infrastructure Demonstration and Validation Project, Fuel Cell Bus Club, Japan Hydrogen & Fuel Cell Demonstration Project, Hydrogen Highway Network in California, BC Hydrogen Highway in British Columbia, AQMD Test Fleet, Hi Way Initiative, Ruhr-Alps-Milan Hydrogen Supply Chain Integrated Project, Hydrogen Corridor in Canada, Norwegian HyNor Project, Illinois Hydrogen Highway, The Northern H in the Upper Midwest, Singapore's Initiative in Energy Technology, and Iceland's SMART-H_2 project.

Many OEMs, including BMW, Daimler, Ford, General Motors, Honda, Hyundai, Nissan, and Toyota Motor Corporation have unveiled prototypes of fuel cell vehicles. Although the number of years required before mass production of fuel cell vehicles will be available to the public cannot be reasonably predicted due to the required advances necessary to reduce the costs of the technology and the cost of developing the required infrastructure, many automotive OEMs have announced their intentions to sell fuel cell vehicles to the public starting in the second half of this decade.

In January 2012, we announced that we were awarded an engineering development contract from the leading Indian automaker Mahindra & Mahindra Ltd., to develop hydrogen systems for a mini-bus platform. Under this contract, we will engineer and modify Mahindra's 2.5L engine to run on clean hydrogen and supply our hydrogen storage system and proprietary hydrogen fuel injection system for this application.

In September 2011, we were awarded a purchase contract from Honda Motor Company for hydrogen storage engineering and development.

In August 2011, we were awarded a purchase contract from Daimler AG for ultra-light weight hydrogen storage tanks. Under this contract, we will develop 10,000 psi (70 MPa) high capacity carbon fiber composite hydrogen tanks that are designed specifically for potential use in future Mercedes Benz zero emission fuel cell electric vehicles. We will apply our advanced ultra-lightweight carbon-composite and polymer liner technology to design and validate hydrogen tanks to the latest European standards and additionally to the stringent Mercedes Benz safety, performance and durability specifications.

In February 2011, we were awarded a $10.0 million development and validation program by General Motors for hydrogen storage. In February 2012, we received a $0.8 million expansion of the program. The hydrogen storage vessels developed and validated under this program will build upon our proprietary ultra-lightweight composite technology and assembly processes that save substantial mass while maximizing the fuel storage capacity. In April 2008, we completed shipments of our first generation packaged hydrogen fuel systems to General Motors in support of their Equinox fuel cell vehicle program that consists of a fleet of approximately 100 vehicles and we continue to provide funded service support to General Motors under this program.

During the 2011 calendar year, we also received a significant contract award from another large automotive OEM to develop, validate and supply ultra-lightweight carbon-composite hydrogen storage tanks specifically optimized for the proprietary requirements of this new OEM customer.

Commercialization of fuel cell electric vehicles is dependent upon a number of factors, including overall cost reduction of the system and a hydrogen-refueling infrastructure. These technologies will require across-the-board cost reductions for the entire system, including the fuel cell stack, fuel system, balance-of-plant, and assembly. Safety is a primary objective when dealing with highly compressed gases. The fuel storage systems are rigorously tested as individual components and as part of the fuel system on the vehicle. Safety considerations apply to the fuel system as a whole, including the tank, regulator and fuel lines, all of which need to comply with applicable safety standards. Our operations are ISO/TS 16949 certified and we have performed extensive testing of our fuel storage components and systems which comply with applicable safety standards, including standards developed by the European Integrated Hydrogen Project (EIHP). Additionally, to ensure widespread commercialization, the fuel storage and delivery systems need to provide adequate range, be of acceptable size and shape, and perform similarly to conventionally fueled vehicles without unacceptably high cost.

Although the commercialization of fuel cell vehicles has not developed as quickly as previously anticipated due to the emergence of hybrid and plug-in hybrid electric vehicle technologies, it is still widely believed to be one of many solutions for medium and long distance clean vehicle or low emission driving. We believe interim steps will continue to be taken by governments to expand the initial refueling infrastructure including mobile refueling units, compact stationary refueling units and bulk transport trailers. In addition, we expect the efforts by OEM's to advance the development of fuel cell vehicle platforms that can be commercialized within this decade to continue in preparation for a number of vehicle releases in the middle of this decade.

Fuel Storage Systems for Aerospace Industry

In November 2009, we were awarded a contract to supply carbon fiber composite hydrogen and oxygen storage vessels for Lockheed Martin's Space Systems' development of ISIS (Integrated Sensor is the Structure) airship powered by a Regenerative Fuel Cell (RFC). ISIS is a large stratospheric airship, carrying an integral radar sensor that can detect small valuable targets from a distance of several hundreds of kilometers away. The ISIS uses solar rays during daylight hours to generate renewable electricity that electrolyzes water to generate hydrogen and oxygen to run the RFC at night. In May 2010, we announced that we were awarded an additional contract to supply critical hydrogen metering systems for the ISIS program. Lockheed Martin is building a prototype airship for the U.S. Defense Advanced Research Projects Agency under their $400 million military contract. We have completed the production bid phase and are well positioned to be the preferred supplier for any future storage systems under this program.

Renewable Energy Generation and Development Industry

Demand for electricity has dramatically increased as our society has become more technologically driven, and we expect this trend to continue. Significant new capacity for the generation of electricity will be required to meet this anticipated demand, particularly as vehicular transportation shifts in part from internal combustion propulsion to electric and hybrid electric propulsion systems.

Most of the world's main energy sources are still based on the consumption of non-renewable resources such as coal, petroleum, natural gas and uranium. Although renewable energy resources today represent a relatively small amount of the energy produced, wind and solar energy farms are growing rapidly in market share. We believe wind and solar energy growth in North America is being driven primarily by:

- decreasing costs in the supply chain and continued improvements in wind and solar technologies;
- public concern about environmental issues, including climate change;
- favorable federal, state and provincial policies regarding climate change and renewable energy, exemplified by state RPS programs and the ARRA in the US and the Green Energy Act in Ontario, that support the development of renewable energy;

- increasing obstacles for the construction of conventional power plants; and
- public concern over continued North American dependence on foreign energy imports.

We intend to leverage our portfolio of existing wind and solar projects, along with strategic relationships developed by Schneider Power to increase our footprint in renewable energy generation and development.

We currently generate electrical power from wind turbines operating in Ontario, Canada under a long term Power Purchase Agreement with a Canadian-based renewable energy reseller from which we derive revenue. In general, the predictable nature of the wind resource, the demonstrated reliability of the turbines, the low cost of operations including zero cost of fuel, and the long term fixed rate financing structure contribute to a highly predictable and consistent cash flow stream from wind farms. As we grow our wind and solar power generation asset base, we expect the steady financial return aspect of this business segment to generate positive cash flows.

Development of wind and solar farm projects involves several sequential stages of completion and advancement before the project becomes operational. These stages will generally include the feasibility study of the project, negotiating land easements, securing grid interconnections on the subject project, performing environmental studies, entering a power purchase agreement, arranging for construction financing, managing the construction, and commissioning the project. Wind and solar energy project returns depend mainly on the following factors: energy prices, transmission costs, wind and solar resources, wind turbine and solar module costs, construction costs, financing costs and the availability of government incentives. In applying our strategy, we take into account the combination of all of these factors and focus on margins, return on invested capital and value creation as opposed solely to project size. Some of our projects, while having high construction costs, still offer attractive returns because of favorable wind and solar resources or higher energy prices. Additionally, in many cases, smaller, more profitable projects can create as much absolute value as do larger, lower-returning projects. We assess the profitability of each project by evaluating its net present value and internal rate of return.

In addition to energy sales on our existing wind electricity generation facility and future wind and solar energy facilities that we are currently developing, we anticipate generating revenues and positive cash flows through the sale of ownership interests in our renewable energy projects and through development and construction services for renewable energy projects owned by third parties.

In December 2011, we announced that Schneider Power Inc., through its wholly-owned subsidiary Trout Creek Wind Power Inc., entered into a strategic agreement with a major global wind turbine manufacturer whereby, subject to this manufacturer providing Trout Creek Wind Power Inc. with a maximum of CDN$24,000,000 to finance the construction of the generation facility, we will purchase and deploy the manufacturer's wind turbines for a 10 MW Trout Creek Wind Farm in Ontario, Canada. This wind turbine manufacturer and Trout Creek Wind Power Inc. have agreed to use their best efforts to execute a definitive financing agreement by December 31, 2012. The agreement also provides for the wind turbines to meet the 50% local content requirement as stipulated by the Ontario Government's Feed in Tariff Program and is subject to certain conditions, including receipt of regulatory and other third party approvals.

On September 9, 2011, we announced that Schneider Power had entered into a purchase and sale agreement with an unrelated third party for the purchase by Schneider Power of 100% of the shares of Zephyr Wind Farms Limited (Zephyr) for a contingent purchase price ranging from CDN 2.0 million to CDN 2.5 million (the "Zephyr Agreement"). Zephyr is the owner of a potential 10 megawatt wind farm development project located in Ontario, Canada. The closing of the transactions contemplated by the Zephyr Agreement remains subject to the parties satisfaction (or waiver) of a number of closing conditions including, without limitation, approval by each party's board of directors and/or shareholders, as applicable, and consent from our senior lender. The Zephyr Agreement, as last amended on November 29, 2011, required the transaction to be completed by December 16, 2011. Although the parties were unable to satisfy certain closing conditions by such date, we continue to have discussions with the seller regarding further extending the required closing date.

During the past year, the solar and wind industry has been negatively impacted by the underlying economics of producing solar panels, over supply of solar panel products caused by excess capacity, and uncertain government subsidies and tariff programs. In particular, market conditions have been dominated by downward pressure on solar panel pricing over the past year due to considerable Chinese government financial support given to Chinese solar panel manufacturers enabling them to bring on line significant levels of solar production capacity. The added capacity and over supply of solar panels is creating instability in market pricing. At the same time, certain other governments are cutting or reassessing wind and solar feed-in-tariff rate programs and subsidies which is effecting the economic viability of new solar and wind projects in parts of Europe and North America.

Recently, certain high profile U.S. based solar manufacturers have filed for bankruptcy due in part to the changing economics underlying their business models; particularly, the pricing of solar products. An oversupply of solar panels globally has reduced solar panel pricing to levels that make it cost prohibitive for many U.S. and European based manufacturers. According to industry analysts, most U.S, Japanese and European solar companies still have a technological edge over Chinese rivals, but rarely a cost advantage. China is driving market conditions and, while this may be positive for the long-term adoptability of renewable energy, it requires the renewable industry to reassess its supply chain, re-engineer manufacturing processes and develop a global perspective.

Many U.S., Japanese and European solar manufacturers are responding to these changing dynamics by developing relationships within China and changing their supply chain processes to enable them to compete at these reduced pricing levels. Nonetheless, the uncertainty in future levels of excess capacity and pricing coupled with uncertain government loan programs and subsidies is currently creating a challenging environment for the renewable energy industry. While we expect long-term market conditions and the demand for renewable energy to improve, we can provide no assurance that this trend will not continue for the foreseeable future.

Business Strategy

Our business strategy is to commercialize our advanced vehicle products and technologies and leverage these products into future vehicle production programs. We plan to increase our participation in hybrid, plug-in hybrid and hydrogen vehicle programs and enhance our leadership position as a tier-one automotive supplier of advanced propulsion systems, alternative fuel systems, powertrain engineering, and system integration services. We also plan to use our existing renewable energy and development platform to expand our ownership of energy producing projects and enhance our involvement in renewable energy.

Our business strategy includes the following:

Commercialize Our Proprietary Hybrid Vehicle Propulsion Systems and Sub-Systems

We are commercializing and supplying our production-ready *Q-Drive* propulsion system to Fisker Automotive for the Fisker Karma vehicle. In the first half of calendar 2011, we began shipments of our hybrid propulsion system and subsystems for assembly into the initial Fisker Karma production release vehicles. We delivered our initial *Q-Drive* system to Fisker Automotive and integrated these systems into the first Fisker Karma sports sedan production vehicle and into the Fisker Karma S convertible concept vehicle, both of which were first showcased at the Detroit auto show in January 2008 and 2009, respectively. Since 2007, we have performed substantial development work on our hybrid vehicle propulsion system for incorporation into the Fisker Automotive line of plug-in hybrid electric vehicles. We have completed pre-production development activities and continue to support Fisker during the production phase. We expect the Karma line of vehicles to continue over the next five to six years.

We intend to commercialize newly developed variations of our proprietary hybrid vehicle propulsion systems and subsystems into production programs with other automotive OEMs, utilities and fleets, military programs and other customer groups such as the U.S. Postal Service. We have produced several prototype vehicles with derivative hybrid drive systems for customer evaluation. Additionally, we plan to commercialize certain proprietary hybrid drive subsystems including hardware and software controls, electronics and inverter systems by selling these subsystems to automotive OEMs, large heavy-duty vehicle manufacturers, integrators, and other providers of hybrid vehicle technologies.

Increase Our Participation in the Hybrid and Plug-in Hybrid OEM Vehicle Markets by Advancing and Introducing New Lower-Cost Technology and Securing Customer and Government Funding and Commercialization Partnerships

We intend to focus our product development efforts on advancing our hybrid propulsion systems and technologies to further improve performance, reduce cost and support broader commercialization. We plan to continue to develop and refine our hybrid drive systems and subsystems to capture new customers in a growing hybrid vehicle market. We have established and plan to expand joint development programs and partnerships with automotive OEMs, the major lithium ion battery producers, commercial fleets, and other industry leaders in these markets and secure outside funding to support these programs. We are currently working with the Department of Energy, the California Energy Commission and other government agencies in advancing hybrid and hydrogen technologies and developing new applications and solutions.

We plan to leverage our hybrid drivetrain technology and systems integration capabilities to continue to advance our hybrid control systems, motor control software and propulsion system control strategies. We expect to continue to expand our customer base and commercialization partnerships in our efforts to further develop advanced and lower cost hybrid drive system component parts and secure customer funding and partnerships to make these advancements.

We are partnering with The Dow Chemical Company to launch a plug-in hybrid electric F-150 truck incorporating our proprietary *F-Drive* propulsion system specifically engineered for the Ford F-150 pickup truck, one of the highest volume selling fleet vehicles in America. Quantum's research and product development group designed the system to meet the demanding truck applications of America's largest fleet operators and to provide a mission-ready solution to meet President Barack Obama's goal of converting the Federal government's vehicle fleet to hybrids, electric vehicles and other alternative-fuel vehicles.

Advance and Commercialize Next Generation Packaged Fuel Systems and Re-Fueling Units for Hydrogen, Fuel Cell, and Alternative Fuel Vehicles

In the 2011 calendar year, we were awarded contracts in excess of $16.0 million for development and validation programs for hydrogen storage. The hydrogen storage vessels developed and validated under these programs will build upon our proprietary ultra-lightweight composite technology and assembly processes. Also during the 2011 calendar year, we experienced a re-emergence of natural gas vehicle programs in the United States.

We plan to continue to leverage our advanced fuel systems, and other alternative vehicle technologies to assist OEMs in advancing the commercialization of hydrogen, fuel cell and other alternative fuel and specialized vehicle applications. We intend to apply our expanded vehicle-level design, powertrain engineering, vehicle electronics and system integration expertise to emerging OEM and fleet vehicle programs to capture full scale production opportunities.

Expand Our Renewable Energy Development and Production Platform

We intend to expand our footprint in renewable energy projects by purchasing new projects and developing and constructing wind and solar projects in North America and the Caribbean that we have in our existing project pipeline and to continue prospecting for future renewable energy sites. We have a significant portfolio of projects in our project pipeline that we plan to further assess for feasibility, secure funding and target for development and/or sale of the project. The development and construction activities may involve strategic relationships with wind turbine manufactures wherein the manufacturer would provide project financing subject to our purchase and deployment of the manufacturers wind turbines.

Leverage Our Hydrogen Storage Systems into Broader Energy Storage Applications

We plan to utilize our full array of storage technologies, developed for automotive and refueling applications, in broader applications within the energy industry. The storage of energy is becoming more important with the emergence of renewable energies and the concept of distributed energy. We believe our industry-leading hydrogen storage systems can enhance the availability of intermittent renewable resources, like wind and solar by providing cost effective storage options. Our advanced storage technologies provide energy users with the ability to store and utilize energy on demand.

Strategic Relationships

We evaluate on an ongoing basis the benefits of joint ventures, acquisitions and strategic alliances with our customers and other parties to strengthen our global business position and to expand our business operations. We have focused our strategic alliances on expanding our market opportunities and advancing the development of our technologies.

Fisker Automotive

On August 7, 2007, we co-founded Fisker Automotive, a joint venture with Fisker Coachbuild, LLC, which was formed for the purpose of producing premium plug-in hybrid automobiles. We owned 6.2 million shares of Fisker Automotive's common stock as of December 31, 2011, which represents less than 1% of the issued and outstanding shares of Fisker Automotive's capital stock.

Asola

On January 4, 2008, we acquired a 24.9% ownership interest in Asola, a solar module manufacturer located in Erfurt, Germany. Asola has been developing and manufacturing high-efficiency photovoltaic modules for a number of innovative applications, including automotive, residential, and commercial applications for over 20 years. Asola developed the solar roof panel that is incorporated into the Fisker Karma PHEV. Asola's current facility has an annual manufacturing capacity to produce 45 MW of solar panels.

Power Control and Design

On October 6, 2009, we acquired a 22% interest in PCD. PCD designs and develops control software for use in motor control, solar-to-grid, wind-turbine, electric vehicle charges and power conversion products and applications for infrastructure, automotive, aerospace and industrial markets.

Shigan Quantum

On September 3, 2009, we acquired at 25% interest in Shigan Quantum, a start-up company organized under India's Corporate Act. Shigan Quantum intends to manufacture and sell gaseous fuel injectors using the Company's technologies and variants thereof.

Customers and Development Programs

A substantial portion of our revenue relates to product shipments to and system development and application engineering services provided to Fisker Automotive and General Motors. During the eight month Transition Period ended December 31, 2011, revenues from Fisker Automotive and General Motors comprised 61% and 14%, respectively, of our total consolidated revenue.

We have had prototype development projects or programs with the following entities:

Adam Opel AG	ISE Research
AeroVironment	Lawrence Livermore National Laboratory
Agility Fuel Systems	Lockheed Martin Space Systems
Air Resources Board	Miljobil Grenland A/S
Alion Science and Technology	Missle Defense Agency SBIR
American Wind Power & Hydrogen	NYSERDA
Ballard Power Systems	Proton Energy Systems, Inc.
California Energy Commission	Roush Performance Products
CNG Interstate LLC	Saleen, Inc.
Daimler	Select Engineering Services
EDAG Inc.	Shell Hydrogen LLC
Energy Conversion Devices	South Coast Air Quality Management District
FAB Industries	Suzuki Motor Corporation
Fisker Automotive	The State University of New York—Buffalo
Ford Motor Company	Toyota Motor Corporation
General Motors (Fuel Cell Activities)	U.S. Army—National Automotive Center
General Motors Corporation	U.S. Army—Tank Automotive Research, Development and Engineering Center
General Motors of Canada, Limited	U.S. Department of Energy
Honda Trading America Corporation	VistOrka hf (Eco Energy Ltd.)
Hyundai America Technical Center	Volvo Eicher
Hyundai Motor Company	Yamaha Motor Company

We intend to establish similar relationships with other leading industry OEMs by using our systems integration capabilities and our leading technology position in hybrid propulsion drive systems, lithium ion battery control systems, electronic control systems, CNG and hydrogen fuel storage, and fuel delivery.

In addition, Schneider Power has established relationships related to renewable energy farm development projects that they have fostered with renewable energy companies Energy Farming International and Greta Energy, Inc. over recent years.

Research and Product Development

We conduct research and product development in the following areas, with corresponding technical capabilities:

- 2nd Generation *Q-Drive*—engineering and developing variants of the *Q-Drive* including a parallel drive for PHEV pickup trucks and a "2nd Generation" scaled version of the *Q-Drive* that is specifically directed at lower-cost light duty vehicles, including mid-size cars and trucks, to significantly advance PHEVs and the average fuel economy in the near term.
- *Vehicle Engineering and Build*—designing, engineering and building concept or early adoption type vehicles using hybrid electric drive system, vehicle and powertrain engineering, vehicle and system integration, and vehicle packaging.

- *Hybrid Control Systems and Control Strategies*—designing and optimizing control systems and strategies to maximize vehicle performance and range.
- *Lithium Ion and Advanced Battery Control Systems*—developing electronic control systems and software to maximize efficiency and energy storage in lithium ion battery applications.
- *Electronic Controls and Software Systems*—automotive hardware design and selection, engine modeling, calibration and software design for engine and emission controls.
- *Fuel Storage*—composite pressure vessel design and analysis, carbon fiber filament winding, and hydraulic, pneumatic, burst and fatigue testing. Evaluation, testing and integration capabilities for advanced CNG and hydrogen gaseous storage and other emerging compressed and solid state storage.
- *Mechanical Design and Development*—pneumatics, kinematics, hydraulic components and systems, and advanced materials, structural, flow and thermal analysis.
- *Advanced Emissions Testing*—testing facility that utilizes California Air Resources Board (CARB) and U.S. Environmental Protection Agency (EPA) approved advanced technology to test Super Ultra Low Emission Vehicles. EPA/CARB certification testing, vehicle development testing including catalyst efficiency, diagnostics, calibration, engine durability testing, and engine mapping.
- *Advanced Products*—injectors, fuel management, fuel storage, and fuel supply for fuel cell power systems, mass flow sensors for natural gas flow measurement and "smart" sensors using microcontrollers and microprocessors.
- *Component and Subsystem Test Facilities*—extended vibration, shock loads and accelerations, extreme temperature exposure from -85° F to 392° F, thermal shock, cyclic corrosion, extended salt, fog, humidity and dryness cycling, severe acid and alkali corrosion, flow simulations, and pneumatic leak checks.
- *Concept Vehicle Development*—concept vehicle design and development using powertrain engineering, CAD engineering, and other vehicle development and tooling processes.

We believe we are uniquely positioned, based on our research and product development capabilities, as a Tier-1 automotive supplier in providing hybrid propulsion systems, vehicle-level design, powertrain engineering, power electronics and wheel motor interfacing, system integration, and manufacturing and assembly of packaged fuel systems for automotive applications including CNG, hybrids, PHEVs, hydrogen electric vehicles, electric only vehicles, fuel cell vehicles, other alternative fuel vehicles, and hydrogen refueling.

Our research and development activities include both customer-funded research and development and company-sponsored research and development that are further discussed in *Item 7. Management's Discussion and Analysis of Financial Condition and Results from Operations*. We will continue to strategically invest in research and development over the next several years in order to advance our products for CNG, hybrid, hydrogen fuel cell and other alternative fuel applications.

Competition

Electric Drive & Fuel Systems

A number of domestic and international automotive and industrial manufacturers are developing alternative clean power systems using lithium-ion batteries, hybrid systems, fuel cells or clean burning gaseous fuels in order to decrease fuel costs, lessen dependence on crude oil and reduce harmful emissions.

The demand for hybrid electric and plug-in hybrid electric vehicles has been increasing in response to consumer demand for vehicles that both meet performance expectations and are fuel efficient. Many of the major automotive OEMs (including General Motors, Ford, Toyota and Honda) have rolled out prototypes of electric and/or hybrid electric vehicles over the past few years that will compete with us, via our association with our affiliate, Fisker Automotive. We believe our expertise with technologies employed on our hybrid propulsion systems together with our system integration experience offers a competitive advantage to OEM hybrid vehicle manufacturers.

We believe that our competitive advantage over current and potential future competitors is our software development, technology portfolio and integration expertise derived from many years of experience with advanced propulsion systems. Our current competitors, such as Magna, typically focus on individual components and are concentrated on providing parts and supplies for high volume vehicle programs; not low to mid-volume programs. We offer complete systems and subsystems based on our own control strategies and advanced technologies.

In the CNG, fuel cell and hydrogen industry, our expertise is in CNG and hydrogen fuel storage, fuel delivery, electronic and drive system controls, and system integration. We manufacture CNG and hydrogen fuel storage tanks but do not manufacture fuel cells or fuel reformers. We may face competition from companies providing components such as tanks, regulators or injectors. We may also face competition from traditional automotive component suppliers, such as Bosch, Delphi, Siemens, and Visteon, and from OEMs that develop fuel systems internally.

A critical element for CNG and hydrogen-based vehicles is fuel storage. Our major competitors for high-pressure gaseous storage cylinders include Dynetek Industries Ltd., Lincoln Composites and Structural Composites Inc.

Many of these potential competitors have been in business longer than us and have substantially greater financial, marketing and development resources than we have. We expect that we will face increased competition in the future as new competitors enter the market and advanced technologies become available. In addition, consolidation in our industry may also affect our ability to compete. Consolidation may strengthen our competitors' financial, technical and marketing resources and may provide greater access to customers. Consequently, these competitors may be able to develop greater resources for the development, promotion and sale of their products. We cannot assure you that we will be able to compete successfully with our existing or new competitors or that the competitive pressures will not materially and adversely affect our business, financial condition or results of operations.

Renewable Energy

In North America, large utility companies dominate the energy production industry, and coal continues to dominate as the primary resource for electricity production. Electricity generated from wind and solar energy faces competition from conventional resources such as nuclear, oil and natural gas and from renewable technologies such as hydro, geothermal and biomass. The advantages of conventional production of electricity are that:

- the technology and infrastructure already exist for the use of fossil fuels such as coal, oil and natural gas; and
- supply of most fossil fuels is plentiful and pricing is attractive on a levelized cost of energy basis, particularly for coal and natural gas.

However, energy produced by conventional resources also faces a number of challenges including:

- the inefficient atmospheric combustion of fossil fuels leads to the release of pollution into the atmosphere including carbon dioxide which is largely considered the primary cause of global warming;
- fossil fuels are non-renewable unsustainable resources which are expected to eventually decline in production and become exhausted with potentially negative consequences to societies that remain highly dependent on them.

In contrast, electricity generated from wind and solar energy:

- produces no water or air pollution that can contaminate the environment because there are no chemical processes involved in wind and solar power generation; therefore, there are no waste by-products such as carbon dioxide;
- does not contribute to global warming because it does not generate greenhouse gases; and
- benefit from zero-cost renewable fuel sources;

However, wind and solar energy producers also face certain obstacles including:

- wind strength and sunshine levels that are not consistent as they change throughout each day and season; producing intermittent flow of power as compared to conventional baseload sources;
- residents in communities where wind and solar farms exist may consider them an "eyesore" or possibly even a health risk; and
- wind farms, depending on their location, may negatively affect bird migration patterns and may pose a danger to bird and bats in certain time periods;

While we compete with owners of electrical generation assets, including owners of fossil fuel generation assets, we believe our primary competitors are developers and operators focused on renewable energy generation. Renewable energy sources, including wind, biomass, geothermal and solar, currently benefit from various governmental incentives such as feed-in tariffs, tax credits, cash grants and loan guarantees, RPS programs and associated RECs and accelerated tax depreciation. Many of these incentives are not available with respect to energy generated from fossil fuels. The wind and solar energy industry in North America has a range of developers, including large integrated independent power producers and established European producers, many of whom have greater financial and other resources than we do. While our pipeline spans several regions across North America, we have not achieved the scale of many of the larger wind energy producers.

In the wind and solar energy sectors, competition occurs primarily during the development stages of a project rather than during a project's operational phase. As discussed in "Risk Factors," wind and solar projects require certain natural conditions that are found in limited geographic areas and at particular sites. Projects must also interconnect to electricity transmission or distribution networks to deliver electricity. We compete with other developers for desirable sites and for the ability to connect to transmission or distribution networks. Depending on the regulatory framework and market dynamics of a region, we may also face competition in bidding for long-term PPAs. Because the renewable energy industry in North America is at an early stage, we also compete with other renewable energy developers for personnel with requisite industry knowledge and experience.

Safety, Regulation, and Product Certification

The manufacture, distribution and sale of our products are subject to governmental regulations in the United States at the federal, state and local levels. The most extensive regulations are promulgated under the National Traffic and Motor Vehicle Safety Act, which, among other things, empowers the National Highway Traffic Safety Administration (NHTSA) to require a manufacturer to remedy certain "defects related to motor vehicle safety" or vehicles that fail to conform to all applicable federal motor vehicle safety standards.

Federal Motor Vehicle Safety Standards are promulgated by the NHTSA. Many of our products are affected by these standards. We engage various testing companies, which also perform testing for NHTSA, to test certain of our products. NHTSA can require automotive manufacturers to recall products. We have not experienced any material recalls.

Like other automotive OEMs and manufacturers of automotive component parts, we may be subject to claims that our products caused or contributed to damage or injury sustained in vehicle accidents or may be required to recall products deemed to contain defects related to motor vehicle safety. We believe that we are adequately insured for any claims. However, any such claims in excess of our insurance coverage or material product recall expenses could adversely affect our financial condition and results of operations. Promulgation of additional safety standards in the future could require us to incur additional testing and engineering expenses that could adversely affect our results of operations.

We must obtain emission compliance certification from the Environmental Protection Agency (EPA) to introduce vehicles or engines into commerce in the United States, and from the California Air Resources Board to introduce vehicles or engines into commerce in California. Certification requires that each vehicle or engine meet specific component, subsystem and vehicle-level durability, emission, evaporative, and idle tests. Both federal and state authorities have various environmental control standards relating to air, water and noise pollution that affect our business and operations.

Furthermore, we strive to meet stringent industry standards set by various regulatory bodies and industry practices, including the U.S. Department of Transportation and Federal Motor Vehicle Safety Standards, the National Fire Protection Association, TÜV, European Integrated Hydrogen Project, Kouatsugasu Hoan Kyokai, Underwriters Laboratories, and American Gas Association. Approvals enhance the acceptability of our products in the domestic marketplace. Many foreign countries also accept these agency approvals as satisfying the "approval for sale" requirements in their markets.

Our international sales are subject to foreign tariffs and taxes, changes in which are difficult to predict and which can adversely affect sales. Our products must also comply with government safety standards imposed in our foreign markets.

Backlog

As of December 31, 2011, our total backlog was $38.4 million as compared to $40.9 million as of April 30, 2011 and $43.8 million as of April 30, 2010. Our backlog consists of product orders that we believe are firm plus revenue associated with development service programs under contract that has not yet been recognized under the percentage of completion method. We anticipate that a substantial portion of the current backlog will be completed by the end of calendar 2012. Included in our current backlog is $10.2 million for shipments of our *Q-Drive* system for the Fisker Karma vehicle. Any significant delays on behalf of Fisker Automotive could extend the time required to realize all revenues associated with the backlog.

Intellectual Property

The continued development and protection of our intellectual property is crucial to our future success. We rely primarily on patent and trade secret laws to protect our intellectual property rights. Although we recognize the importance of patent and trade secret laws and, when appropriate, seek the advantages and benefits these laws offer, we believe that our growth and future success will be more dependent on factors such as the knowledge, experience and expertise of our personnel, new product introductions, continued emphasis on research and development and creation of "know-how."

We do not know whether any patents will be issued from our patent applications or whether the scopes of our issued patents are sufficiently broad to protect our technologies or processes. Our patents may not provide us a competitive advantage. Competitors may successfully challenge the validity and/or scope of our patents and trademarks. We also rely on a combination of trademark, trade secret and other intellectual property laws and various contract rights to protect our proprietary rights. However, we do not believe our intellectual property rights provide significant protection from competition. We believe that establishing and maintaining strong strategic relationships with valued customers and OEMs are the most significant factors protecting us from new competitors.

Our ten year strategic alliance agreement with General Motors, which was comprised of several agreements and arrangements, ended in July 2011. In connection with the alliance, each party jointly owns technology that was jointly created under the alliance. No jointly owned patents were received or applied for under the alliance. Under the alliance, each party granted the other certain exclusive and/or nonexclusive licenses with respect to certain intellectual property developed by such party prior to and during the term of the alliance and also with respect to the jointly owned intellectual property. Although the term of the alliance has expired, certain provisions under these agreements, subject to conditions and the alliance arrangement, provide future revenue sharing arrangements to General Motors for products sold using certain technologies developed under the alliance. Potential revenue sharing payments could equal 5% of applicable gross revenue through July 23, 2015, 4% for the ten-year period ending July 23, 2025, 3% for the ten-year period ending July 23, 2035, and 2% for the ten-year period ending July 23, 2045. The agreements also contemplate a final revenue sharing payment to General Motors equal to the present value of future revenue sharing payments that would otherwise be payable to General Motors on an annual basis assuming an income stream to General Motors of 2% of our gross revenues in perpetuity. No royalty expense was incurred under the arrangement for any of the periods presented in the accompanying financial statements.

Employees

As of March 23, 2012, we had 106 full-time employees and 17 part-time employees in our combined businesses. During peak production periods, we may increase our work force. Historically, the available labor force has been adequate to meet such periodic requirements. None of our employees are represented by a collective bargaining agreement. We consider our relations with our employees to be good.

Available Information

We make our annual and transition reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and all amendments to these reports available free of charge on our corporate website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. Our corporate website is located at *www.qtww.com.* None of the information contained on our website is intended to be part of this report or incorporated by reference herein.

You may also read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington DC 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site that contains reports, proxy statements and other information we file with the SEC. The address of the SEC's web site is www.sec.gov.

Executive Officers

Our executive officers as of December 31, 2011 and their respective ages and positions were as follows:

Name	Age	Position
Alan P. Niedzwiecki	55	Chief Executive Officer; President; Director
Dale L. Rasmussen	62	Chairman of the Board of Directors
W. Brian Olson	48	Chief Financial Officer; Treasurer
David Mazaika	48	Chief Operating Officer
Kenneth R. Lombardo	46	Vice President-Legal; General Counsel and Corporate Secretary
Bradley J. Timon	48	Corporate Controller; Chief Accounting Officer

The following is a biographical summary of the experience of the executive officers:

Alan P. Niedzwiecki has served as President and as one of our directors since February 2002 and was appointed as Chief Executive Officer in August 2002. Mr. Niedzwiecki served as Chief Operating Officer from November 2001 until he was appointed as Chief Executive Officer in August 2002. From October 1999 to

November 2001, Mr. Niedzwiecki served as Executive Director of Sales and Marketing. From February 1990 to October 1999, Mr. Niedzwiecki was President of NGV Corporation, an engineering and marketing/ commercialization consulting company. Mr. Niedzwiecki has more than 25 years of experience in the alternative fuels industry in product and technology development and commercialization relating to mobile, stationary power generation and refueling infrastructure solutions. Mr. Niedzwiecki is a graduate of Southern Alberta Institute of Technology. Mr. Niedzwiecki has also served on the board of directors of Fisker Automotive from November 2007 until September 2010. Mr. Niedzwiecki brings to the Board his proven leadership experience and over 25 years of experience in the alternative fuels industry, in particular, in product and technology development and commercialization relating to mobile, stationary power generation and refueling infrastructure solutions.

Dale L. Rasmussen has served as a member of our board of directors since October 2000, and was appointed as Chairman of the Board in February 2002. On May 1, 2006, Mr. Rasmussen became a full-time employee of the Company. His responsibilities include acquisitions, joint ventures, strategic alliances and investor and shareholder relations. Mr. Rasmussen was the Senior Vice President and Secretary of IMPCO Technologies from 1989 through 2005, joining the Company in 1984 as Vice President of Finance and Administration and Corporate Secretary. Prior to joining IMPCO, Mr. Rasmussen was a commercial banker for twelve years at two banks and responsible for managing the bank's investment portfolio, branch and corporate development, and he also served as corporate secretary. Mr. Rasmussen is a graduate of Western Washington University; upon graduating he received the marketing student of the year award. Mr. Rasmussen is also a graduate of Pacific Coast Banking School, University of Washington. Mr. Rasmussen also served on the board of directors, as Chairman, of Fisker Automotive from November 2007 until January 2010. Mr. Rasmussen has served on our board of directors since 2000 and as our Chairman since 2002. Mr. Rasmussen brings to the Board his extensive experience in the alternative fuel and renewable energy industries, and banking and corporate finance.

W. Brian Olson has served as Chief Financial Officer and Treasurer since August 2002. From July 1999 to August 2002, Mr. Olson served as Treasurer, Vice President and Chief Financial Officer of IMPCO. He originally joined IMPCO in October 1994 and held various financial positions with IMPCO, including serving as Corporate Controller. Prior to joining IMPCO, Mr. Olson was with the public accounting firm of Ernst & Young LLP and its Kenneth Leventhal Group. Mr. Olson holds a Bachelor of Science degree in business and operations management from Western Illinois University and a Masters of Business Administration degree in finance and economic policy from the University of Southern California. Mr. Olson is a Certified Financial Manager and a Certified Management Accountant.

David M. Mazaika has served as Chief Operating Officer since December 2008. Prior to joining us, Mr. Mazaika served as Chairman and CEO for ISE Corporation, a company which he co-founded in 1994. Prior to this, Mr. Mazaika was Vice President of Business Development for International Space Enterprises. From 1985 to 1993, Mr. Mazaika held senior positions with Convair and Space Systems Divisions of General Dynamics. Mr. Mazaika holds a Bachelor of Science in Electrical Engineering from Cornell University.

Kenneth R. Lombardo has served as Vice President and General Counsel since May 2005 and became Corporate Secretary in September 2005. From March 1996 to May 2005, Mr. Lombardo practiced law at Kerr, Russell and Weber, PLC in Detroit, Michigan, where he specialized in mergers and acquisitions, taxation, corporate and business law. Mr. Lombardo is also a certified public accountant with over six years of audit and tax experience with Deloitte & Touche. Mr. Lombardo received his law degree from Wayne State University Law School and a Bachelor of Science degree in Business Administration, with a major in Accounting, from Central Michigan University.

Bradley J. Timon has served as Corporate Controller and Chief Accounting Officer since April 2004. Prior to joining us, Mr. Timon worked as a financial consultant. From June 1998 to October 2001, Mr. Timon was with CORE, INC. serving as the Corporate Controller and then later as Acting Chief Financial Officer. Between September 1995 and May 1998, Mr. Timon served as a Controller for James Hardie Industries. Before entering private industry, Mr. Timon was with the public accounting firm KPMG from 1989 to 1995. Mr. Timon has a Bachelor of Arts degree in accounting from California State University, Fullerton and is a Certified Public Accountant.

Financial Information about Segments, Customer Concentrations and Geographic Areas

Additional information regarding our business segments, certain customer concentrations and geographic areas where we have revenues is contained in Notes 17 and 18 to our Consolidated Financial Statements in Part IV, Item 15(a)(1) of this Transition Report.

Item 1A. Risk Factors.

This Transition Report, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. We face a number of risks and uncertainties that could cause actual results or events to differ materially from those contained in any forward-looking statement. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on these forward-looking statements, which apply only as of the date of this Transition Report. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events. We discuss all known material risks to our business below. The risks and uncertainties described are not the only ones facing us. Additional risks and uncertainties may also adversely impair our business operations. ***If any of the following risks actually occur, our business, our financial condition or our results of operations would likely suffer significantly. In such case, the value of our common stock could decline and adversely affect our ability to raise additional capital.***

Risks Related to Liquidity and Capital Resources

We have a substantial amount of indebtedness that matures over the next twelve months. We may not be able to repay our substantial indebtedness or refinance or extend such indebtedness, which would have a material adverse effect on our financial condition and ability to continue as a going concern.

We have approximately \$6.3 million of principal and interest owing under outstanding debt obligations as of March 23, 2012, consisting of the following: (i) \$1.1 million owing to our senior secured lender under a demand promissory note, (ii) \$4.0 million of convertible debt that matures on various dates beginning on October 17, 2012 through November 15, 2012, (iii) \$1.1 million related to Schneider Power's bank term loan that matures on April 3, 2012, and (iv) \$0.1 million of other financing arrangements.

We anticipate that we will need to refinance or otherwise restructure our existing debt obligations and/or raise new debt or equity capital in order to repay all of these outstanding debt obligations when they mature and we cannot provide any assurance that we will be successful in doing so. If we are unable to raise sufficient capital to repay these obligations at maturity and we are otherwise unable to extend the maturity dates or refinance these obligations, we would be in default. A default in any of the debt obligations would have a material adverse effect on our business, our ability to raise capital in the future and our ability to continue as a going concern.

We have a history of operating losses and negative cash flows and although our financial statements have been prepared on a going concern basis, we must raise additional capital or restructure our existing debt obligations over the next twelve months in order to continue as a going concern.

We have a history of operating losses and negative cash flow. We have incurred recurring operating losses, including net losses from operations before income taxes of \$28.0 million, \$46.3 million and \$11.3 million in the years ended April 30, 2009, April 30, 2010 and April 30, 2011, respectively, and \$38.5 million for the eight months ended December 31, 2011. We used $16.9 million, $14.7 million and $13.6 million of cash for operating activities during our fiscal years ended April 30, 2009, April 30, 2010 and April 30, 2011, respectively, and approximately $9.5 million for the eight months ended December 31, 2011.

We have funded our operations primarily with proceeds from public and private offerings of our common stock and secured and unsecured debt instruments. Our history of operating losses and cash uses, the uncertainty of when we will be profitable, if ever, our projected cash needs, our stock price and market capitalization, the terms of the private placement transactions that we completed in the past, and the restricted availability of credit for emerging industries, may impair our ability to raise capital or restructure our debt obligations on terms that we consider reasonable and at the levels that we will require over the next twelve months. We cannot provide any assurances that we will be able to secure additional funding from public or private offerings on terms acceptable to us, if at all. If we are unable to obtain the requisite amount of financing needed to fund our planned operations, it would have a material adverse effect on our business and ability to continue as a going concern.

Haskell & White LLP, our independent registered public accounting firm for the Transition Period ended December 31, 2011, has included an explanatory paragraph in their opinion that accompanies our audited consolidated financial statements as of and for the eight months ended December 31, 2011, indicating that our current liquidity position raises substantial doubt about our ability to continue as a going concern. If we are unable to further improve our liquidity position, we may not be able to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result if we are unable to continue as a going concern and, therefore, be required to realize our assets and discharge our liabilities other than in the normal course of business which could cause investors to suffer the loss of all or a substantial portion of their investment.

We anticipate that we may need to raise additional funds to finance our anticipated growth and future operations.

In addition to our need to restructure our current debt obligations and/or to otherwise raise new capital to fund our operations over the next twelve months, we may also need to raise additional capital to support the anticipated growth in our existing and new customer programs beyond the next twelve months. Our cash needs will depend on numerous factors, including our revenues, completion of our product development activities, our ability to commercialize our advanced propulsion and fuel systems, market acceptance of electric, plug-in electric and fuel cell vehicles, customer and market acceptance and use of our products, the development of an infrastructure to support electric, plug-in electric and fuel cell vehicles, increase in customer-funded programs and product development, our ability to expand Schneider Power's wind and solar farm portfolio, and our ability to reduce and control costs. We expect to devote substantial capital resources to, among other things, fund operations, expand our tank production facility, continue development programs, and to build out and increase our portfolio of wind and solar energy farms. If we are unable to secure such additional financing, it will have a material adverse effect on our business and we may have to limit operations in a manner inconsistent with our development and commercialization plans. If additional funds are raised through the issuance of equity securities or convertible debt securities, it will be dilutive to our stockholders and could result in a decrease in our stock price.

Our financial condition is impairing our ability to obtain standard credit terms with our suppliers which is negatively impacting our working capital.

Due to our historical financial condition, certain of our critical suppliers have reduced our payment terms, limited our trade credit limit and/or required cash-in-advance for some shipments. If we are unable to obtain reasonable payment terms from our suppliers, it will continue to negatively impact our working capital position and could have a material adverse effect on our business and our liquidity.

We have a commitment to provide a guaranty to an affiliate's credit facility that could be called upon if the affiliate defaults on the credit facility in the future.

In connection with our acquisition of our 24.9% ownership interest in our German solar affiliate, Asola, we committed to provide a 1.0 million euro guaranty to Asola's bank to support an increase in Asola's bank debt. To date, Asola's bank has not required us to put the guaranty in place. However, we cannot provide any assurance that we will not be required to put the guaranty in place in the future. If and when the guaranty is put in place, we could be called upon to repay the credit facility up to the limit of our guaranty if Asola were to default on its credit facility.

The change in value of our derivative liabilities could have a material effect on our financial results.

Included on our consolidated balance sheets are derivative liabilities related to embedded features contained within certain warrant contracts. At each reporting period, we are required to determine the fair value of such derivatives and record the fair value adjustments as non-cash unrealized gains or losses. The share price of our common stock represents the primary underlying variable that impacts the value of the derivative instruments. Additional factors that impact the value of the derivative instruments include the volatility of our stock price and assumed risk free rates. Due to the volatile nature of our share price, we expect that we will recognize non-cash gains or losses on our derivative instruments each reporting period and that the amount of such gains or losses could be material.

Risks Related to Our Business

Risks Related to our Electric Drive & Fuel Systems Segment

Fisker Automotive represents a substantial portion of our existing and anticipated future revenues and these future revenues will depend on Fisker Automotive's success.

A large percentage of our revenue is typically derived from a small number of customers, in particular, Fisker Automotive, and we expect this trend to continue. During the years ended April 30, 2009, April 30, 2010 and April 30, 2011 and for the eight months ended December 31, 2011, our revenues from Fisker Automotive comprised 59%, 46% and 56%, and 61%, respectively, of our total revenues. We expect that our revenues from Fisker Automotive for the 2012 calendar year and the foreseeable future will continue to represent a substantial portion of our total revenues. Our business operations, financial results and liquidity would be materially adversely affected if: (i) there are unfavorable changes in our agreements with Fisker Automotive, (ii) there are significant delays in the production schedule of the Fisker Karma vehicle platform, (iii) the number of Fisker Karma vehicles produced and/or sold does not meet expectations, or (iv) there are significant delays in payments to us for product shipments to Fisker Automotive.

Fisker Automotive's success and, in turn, our success and ability to reach profitability, is highly dependent on Fisker Automotive's ability to access capital and execute its business plan.

Our ability to achieve profitability is highly dependent on the success of Fisker Automotive. Fisker Automotive's success is dependent on a number of factors including its ability to raise the level of capital that it needs in order to execute its business plan. If Fisker Automotive is unable to access the amount of capital that it needs to execute its business plan or is not successful for any reason, it would have a material adverse effect on our business operations, financial results and our ability to continue as a going concern.

Our fuel cell vehicle development and production revenue depends on our relationship with automotive OEMs and their commitment to and success with the commercialization of fuel cell vehicles.

Our fuel cell vehicle development programs have represented a significant portion of our historical revenues and we have seen certain programs delayed or suddenly canceled in the past. During calendar 2011, we were awarded in excess of $16.0 million in development and validation programs for application of hydrogen storage in fuel cell vehicles from multiple automotive OEMs. Although we have seen an increase in development program activities, we cannot assure you that these revenues will continue or result in production level revenues. Our fuel cell vehicle development program activities and hydrogen storage production depends on the future commitment of these OEM customers and the success and timing of their programs.

Certain of our agreements with General Motors could impair our ability to grow our hydrogen fuel systems business.

On February 14, 2011, we and General Motors entered into an Agreement in Support of Development and an Access and Security Agreement in connection with a $10.0 million development and validation program related to hydrogen storage vessels and systems for General Motors' fuel cell vehicles. On December 21, 2011, these agreements were amended in connection with our receipt of a CNG development program award. The agreements provide General Motors with certain rights should an event of default under either of those agreements occur including, without limitation, (i) a security interest in and an option to purchase at orderly liquidation value any equipment and tooling owned by us and used in the development and/or production of the components that are the subject of the Agreement in Support of Development, as amended, (ii) the right to access our premises and to use our equipment, tooling and employees for a period of time in order to continue development or production, as the case may be; provided, however, General Motors shall be obligated to pay all actual costs related thereto, and (iii) a broad license to use our intellectual property embedded in or related to the deliverable being developed to make, have made, use, produce, manufacture, assemble, package, and distribute the components that are the subject of the Agreement in Support of Development, as amended. If an event of default occurred and General Motors exercised any of such rights, it could have a material adverse effect on our fuel systems business.

We depend on third-party suppliers for the supply of materials and components for our products.

We depend on third-party suppliers for the supply of materials and components for our products including the production components we supply to Fisker Automotive for the Karma vehicle. These companies may experience product development, resource and funding constraints that could impact their ability to supply components in a timely manner, if at all. Further, any production delays in the Fisker program or other production programs could have a negative effect on our suppliers which, in turn, could result in disruptions in the supply of parts and components to us and materially affect our ability to meet our supply obligations to Fisker Automotive and other customers.

Our ability to design and manufacture powertrain and fuel systems for CNG, hybrid, hydrogen and fuel cell applications that can be integrated into new vehicle platforms will be critical to our business and our ability to successfully complete existing development programs.

We are currently developing and integrating advanced hybrid propulsion systems for production-intent vehicles. These electric drive and fuel systems are being designed to meet strict design and packaging requirements of our customers. Customers for these systems require that these products meet either their strict design standards or original equipment manufacturer level standards that can vary by jurisdiction. Compliance with these requirements has resulted in increased development, manufacturing, warranty and administrative costs. A significant increase in these costs could adversely affect our business, results of operations and financial condition. If we fail to meet original equipment manufacturer or customer specifications on a timely basis, our existing or future relationships with our original equipment manufacturers and other customers may be harmed, which would have a material adverse effect on our business, results of operations and financial condition.

To be commercially viable, our products and systems generally must be integrated into products manufactured by original equipment manufacturers. We can offer no assurance that original equipment manufacturers will manufacture appropriate products or, if they do manufacture such products, that they will choose to use our hybrid and fuel cell products and systems. Any integration, design, manufacturing or marketing problems encountered by original equipment manufacturers could adversely affect the market for our hybrid and fuel cell products and systems, and our business results of operations and financial condition.

Our business depends on the growth of CNG, hybrid electric, hydrogen, and other alternative fuel based vehicles.

Our future success depends on the continued expansion and commercialization of compressed natural gas, hybrid electric, hydrogen and other alternative fuel based vehicles. The market for these types of vehicles and technologies is influenced by and our sales may be negatively impacted by a number of factors that are outside of our control, including, without limitation, oil prices, battery durability improvements, government support through investment tax credits and other subsidies, government regulation, capital formation, interest rates and consumer disposable income.

Additionally, we cannot provide any assurances that the markets for compressed natural gas, hybrid electric vehicles and other alternative energy based vehicles will gain broad acceptance in any economic environment or, if they do, that they will result in increased sales of hybrid vehicles and our advanced fuel system products. Our business depends on auto manufacturers' timing for pre-production development programs and commercial production. If there are delays in the advancement of original equipment manufacturer alternative fuel technologies or in our original equipment manufacturer customers' internal plans for advanced vehicle commercialization, our business and financial results could be adversely affected.

A mass market for hydrogen products and systems may never develop or may take longer to develop than anticipated.

Fuel cell and hydrogen systems represent emerging technologies, and we do not know whether consumers will adopt these technologies on a large scale or whether original equipment manufacturers will incorporate these technologies into their products. In particular, if a mass market fails to develop, or develops more slowly than anticipated, for hydrogen powered transportation applications, we may be unable to recover our expenditures to develop our fuel systems for hydrogen applications and may be unable to achieve or maintain profitability, any of which could negatively impact our business. Many factors that are beyond our control may have a negative effect on the development of a mass market for fuel cells and our fuel systems for hydrogen applications. These factors include the following:

- cost competitiveness and physical size of fuel cell systems and "balance of plant" components (e.g. fuel metering and regulation, bi-directional flow monitoring, sensors, etc.);
- availability, future costs and safety of hydrogen, natural gas and other potential fuel cell fuels;
- consumer acceptance of hydrogen or alternative fuel products;
- government funding and support for the development of hydrogen vehicles and hydrogen fuel infrastructure;
- the willingness of original equipment manufacturers to replace current technology;
- consumer perceptions of hydrogen systems;
- regulatory requirements; and
- emergence of newer, breakthrough technologies and products within the automotive industry.

Evolving customer design requirements, product specifications and testing procedures could cause order delays or cancellations.

We have experienced delays in shipping our products in the past as a result of changing customer specifications and testing procedures. Due to the dynamic nature of hybrid and hydrogen fuel cell technology, changes in specifications are common and may result in delayed shipments, order cancellations or higher production costs. Evolving design requirements or product specifications may adversely affect our business or financial results.

We have limited experience manufacturing fuel systems on a commercial basis.

We have limited experience manufacturing fuel systems for compressed natural gas and hydrogen fuel cell applications on a commercial basis. In order to produce propulsion systems for fuel cell applications at affordable prices, we will have to produce such systems through high volume automated processes, which we currently do not have. We do not know whether we, or our suppliers, will be able to develop efficient, automated, 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 fuel systems for fuel cell applications. Even if we, or our suppliers, are successful in developing our high volume manufacturing capability and processes, we do not know whether we will be able to do so in time to meet our product commercialization schedules or to satisfy the requirements of our customers. Our failure to develop such manufacturing processes and capabilities could have a material adverse effect on our business, results of operations and financial condition.

We may not meet our product development and commercialization milestones.

We have product development programs that are in the pre-commercial stage. The success of each product development program is highly dependent on our correct interpretation of commercial market requirements, and our translation of those requirements into applicable product specifications and appropriate development milestones. If we have misinterpreted market requirements, or if the requirements of the market change, we may develop a product that does not meet the cost and performance requirements for a successful commercial product. In addition, if we do not meet the required development milestones, our commercialization schedules could be delayed, which could result in potential purchasers of these products declining to purchase additional systems or choosing to purchase alternative technologies. Delayed commercialization schedules may also impact our cash flow, which could require increased funding.

We may be subject to warranty claims, and our provision for warranty costs may not be sufficient.

We may be subject to increased warranty claims as our products go to production due to longer warranty periods. In response to consumer demand, vehicle manufacturers have been providing, and may continue to provide, increasingly longer warranty periods for their products. As a consequence, these manufacturers require their suppliers, such as us, to provide correspondingly longer product warranties. As a result, we could incur substantially greater warranty claims in the future.

Our business may be subject to product liability claims or product recalls, which could be expensive and could result in a diversion of management's attention.

The automotive industry experiences significant product liability claims. As a supplier of products and systems to automotive original equipment manufacturers, we face an inherent business risk of exposure to product liability claims in the event that our products, or the equipment into which our products are incorporated, malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our systems or components caused the accidents. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the award of damages. The sale of systems and components for the transportation industry entails a high risk of these claims. In addition, we may be required to participate in recalls involving these systems if any of our systems prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices or the need to maintain good customer relationships. Our other products may also be subject to product liability claims or recalls. We cannot assure you that our product liability insurance will be sufficient to cover all product liability claims, that such claims will not exceed our insurance coverage limits or that such insurance will continue to be available on commercially reasonable terms, if at all. Any product liability claim brought against us could have a material adverse effect on our reputation and business.

Our business may become subject to future product certification regulations, which may impair our ability to market our products.

We must obtain product certification from governmental agencies, such as the U.S. Environmental Protection Agency and the California Air Resources Board, to sell certain of our products in the United States and internationally. A significant portion of our future sales will depend upon sales of fuel management products that are certified to meet existing and future air quality and energy standards. We cannot assure you that our products will continue to meet these standards. The failure to comply with these certification requirements could result in the recall of our products or in civil or criminal penalties.

We anticipate that regulatory bodies will establish certification procedures and impose regulations on fuel cell enabling technologies, which may impair our ability to distribute, install and service these systems. Any new government regulation that affects our advanced fuel technologies, whether at the foreign, federal, state or local level, including any regulations relating to installation and servicing of these systems, may increase our costs and the price of our systems. As a result, these regulations may have a negative impact on our business, results of operations and financial condition.

Failure to comply with applicable environmental and other laws and regulations could adversely affect our business and harm our results of operations.

We use hazardous materials in our research and development and manufacturing processes, and as a result are subject to federal, state, local and foreign regulations governing the use, storage, handling and disposal of these materials and hazardous waste products that we generate. Although we believe that our procedures for using, handling, storing and disposing of hazardous materials comply with legally prescribed standards, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials and we may incur liability as a result of any such contamination or injury. In the event of an accident, including a discharge of hazardous materials into the environment, we could be held liable for damages or penalized with fines, and the liability could exceed our insurance and other resources. We have also incurred and may continue to incur expenses related to compliance with environmental laws. Such future expenses or liability could have a significant negative impact on our business, financial condition and results of operations. Further, we cannot assure you that the cost of complying with these laws and regulations will not materially increase in the future.

We are also subject to various other federal, state, local and foreign laws and regulations. Failure to comply with applicable laws and regulations, including new or revised safety or environmental standards, could give rise to significant liability and require us to incur substantial expenses and could materially harm our results of operations.

New technologies could render our existing products obsolete.

New developments in technology may negatively affect the development or sale of some or all of our products or make our products obsolete. A range of other technologies could compete with our compressed natural gas, plug-in electric hybrid, fuel cell, hydrogen, hybrid or other technologies on which our automotive business is currently focused. Our success depends upon our ability to design, develop and market new or modified compressed natural gas, hybrid and fuel cell products and systems. Our inability to enhance existing products in a timely manner or to develop and introduce new products that incorporate new technologies, conform to increasingly stringent emission standards and performance requirements and achieve market acceptance in a timely manner could negatively impact our competitive position. New product development or modification is costly, involves significant research, development, time and expense and may not necessarily result in the successful commercialization of any new products.

Uniform codes and standards for hydrogen fuel cell vehicles and related hydrogen refueling infrastructure may not develop in a timely fashion.

Uniform codes and standards do not currently exist for fuel cell systems, fuel cell components or the use of hydrogen as a vehicle fuel. Establishment of appropriate codes and standards is a critical element to allow fuel cell system developers, fuel cell component developers and hydrogen storage and handling companies to develop products that will be accepted in the marketplace.

All fuels, including hydrogen, pose significant safety hazards, and hydrogen vehicles have not yet been widely used under "real-world" driving conditions. Ensuring that hydrogen fuel is safe to use by the car-driving public requires that appropriate codes and standards be established that will address certain characteristics of hydrogen and the safe handling of hydrogen fuels.

The development of fuel cell and hydrogen fuel applicable standards is being undertaken by numerous organizations, including the American National Standards Institute, the American Society of Mechanical Engineers, the European Integrated Hydrogen Project, the International Code Council, the International Standards Organization, the National Fire Protection Association, the National Hydrogen Association, the Society of Automotive Engineers, the Canadian Standards Association, the American National Standards Institute and the International Electrotechnical Commission. Given the number of organizations pursuing hydrogen and fuel cell codes and standards, it is not clear whether universally accepted codes and standards will result and, if so, when.

Although many organizations have identified as a significant priority the development of codes and standards, we cannot assure you that any resulting codes and standards would not materially affect our revenue or the commercialization of our products.

<u>Risks Related to Investments and our Renewable Energy Segment</u>

We cannot provide any assurance that our affiliate, Asola, will be able to fully respond to the changing market conditions prevailing within the global solar industry.

Our German affiliate, Asola, experienced operating losses during calendar 2011 which is requiring it to seek measures to reduce its cost structure to remain competitive. In this regard, Asola has developed a relationship with a Chinese based manufacturer of solar energy products to potentially source partially-assembled solar panel sub-systems in China. We cannot provide any assurance that this relationship will be successful or that the sourcing of these sub-systems will enable Asola to be competitive in the solar industry. Asola may encounter difficulty in integrating these sub-systems into final assembled products and these entities may not be able to reach expected cost objectives. The inability of Asola to manufacture competitively priced solar panels will have a material adverse effect on our ability to produce profits from our investments in Asola. Further, our deposits with and our investments in and advances to Asola could become impaired if Asola is unable to remain competitive over the long term.

Schneider Power's success is highly dependent on its ability to obtain a substantial amount of capital in order to build and commission its renewable energy project pipeline.

Our wholly-owned subsidiary, Schneider Power, will need substantial capital in order to complete the development and construction of its wind and solar energy project pipeline. If Schneider Power is unable to obtain financing for its project pipeline, then it could result in significant delays in the development and construction of such projects or the sale or other disposition of such projects, which could have a material adverse effect on Schneider Power's business, its ability to repay any intercompany loans made by us and our ability to recover the investment we made to acquire, and realize additional value from, Schneider Power.

Schneider Power's success is highly dependent on its ability to obtain permits, approvals, authorization, power purchase agreements and retain its land rights.

In order for Schneider Power to successfully develop and construct the wind and solar energy projects in its development pipeline it will need to obtain a number of permits, approvals and authorizations from various federal, state, provincial and municipal governmental agencies and power purchase agreements with the respective governments or other third parties and must maintain its land access rights for such projects. We cannot provide any assurances that it will be able to obtain and maintain such permits, approvals, authorizations, agreements or land rights. Failure to obtain and maintain such permits, approvals, authorizations, agreements and land rights could result in significant delays or termination of the development projects, which could have a material adverse effect on Schneider Power's business.

Failure to utilize existing facility space could adversely affect our operating results.

We have an 88,000 square foot facility located in Irvine, California, which is currently underutilized. We intended to use that facility for a U.S.-based solar panel operation through our subsidiary, Quantum Solar. However, due to changing market conditions, we no longer plan to perform the complete assembly process in that facility and our solar plans in that facility are uncertain at this time. If we are unable to more fully utilize the Irvine facility, the costs associated with maintaining such facility will adversely affect our operations and financial results.

Development and construction of wind and solar energy projects is subject to a number of risks and uncertainties.

Development and construction of wind and solar electricity generation facilities is dependent on site assessment and the successful planning, installation and commissioning of clusters of wind turbines and solar module arrays, which includes foundation and interconnection structures. There is always the risk that a project will sustain delays and incur material cost overruns. In addition, wind and solar potential for a particular generation facility is based on historical data and weather patterns which may change significantly and have an adverse impact on future energy output and project profitability and cash flow for any given period.

Fluctuations in the Euro and Canadian dollar could have a material effect on Schneider Power's business and operations.

Schneider Power, a Canadian entity, purchases its wind turbines and a majority of its other capital equipment from foreign suppliers that transact in Euros and U.S. dollars and which have long lead times. Unfavorable fluctuations in the Euro and U.S. dollar versus the Canadian dollar could have a significant adverse effect on Schneider Power's financial results and could significantly increase the cost of capital equipment purchased from such foreign suppliers.

Decrease in demand or price for solar cells could have an adverse effect on our business and operations.

We, through our affiliate Asola, have entered into a long-term supply agreement under which we have agreed to purchase solar cells with a cumulative power of 77.5 mega watts through December 31, 2017 at pre-determined quantities that could cause us and Asola to hold larger than expected quantities of inventory on hand as a result of decreased future demand, and at pre-determined prices that could be above market rates in the future that could cause us and Asola to incur losses on the sale of products manufactured utilizing the solar cells. The spot trading prices for solar cell deliveries have decreased to levels that are currently below prices that we have secured for this applicable period under the long-term supply agreement. As a result, Asola demanded an adjustment to the stated pricing under the supply agreement in a fair and reasonable manner to account for the change in economic circumstances under a "loyalty clause" contained in the supply agreement. Asola's demand and the subsequent negotiations were not successful and the matter is now in litigation in Germany. We cannot provide any assurance that the matter will be resolved in Asola's favor. If the matter is resolved unfavorably to

Asola and it is determined that a loss is probable on our remaining commitments to purchase the solar cells, we will be required to record a charge in the future for the difference between our remaining unconditional commitments and our estimated net realizable value and that charge could be material.

Other Risks Related to Our Business

The remaining book value of our goodwill and other intangible assets may be impaired if a significant decline in our market capitalization occurs in the future.

The book value of our net assets is currently close in value to our market capitalization. A decline in market capitalization below book value is an indicator that goodwill and other intangible assets may be impaired under applicable accounting guidance. Impairment testing does not necessarily lead to recognition of an impairment loss but does present the possibility of incurring such a loss. Included in our results for the eight month period ended December 31, 2011 is an impairment charge of $27.2 million. We may be required to further impair our remaining carrying values of goodwill and intangible assets in future periods. Future potential impairments of goodwill, intangible assets or tangible assets could have a material adverse effect on our financial results.

Our credit agreement with our senior secured lender contains certain negative covenants that could restrict our ability to implement our business plan.

Pursuant to the terms of the credit agreement with our senior secured lender, we must first obtain the consent of our senior secured lender before entering into certain transactions or undertaking certain activities including, without limitation, incurring additional debt outside the ordinary course of business, acquiring the stock or assets of another business or entity, and selling or leasing our assets other than in the ordinary course of business. In connection with our acquisition of Schneider Power, our senior secured lender required us to pay a consent fee of $3.0 million which we satisfied by our delivery of a promissory note which is described in our financial statements as the Consent Fee Term Note. In the event that our business plan contemplates transactions or activities that are prohibited under the credit agreement and our senior secured lender is unwilling to give its consent, then we will either have to pay our senior secured lender a fee in order to get its consent or, alternatively, revise our business plan.

Past acquisitions and any future acquisitions, equity investments, joint ventures, strategic alliances or other similar transactions may not be successful.

We have consummated and may continue to consummate acquisitions, equity investments, joint ventures and strategic alliances in order to provide increased capabilities to our existing products, supply new products and services or enhance our distribution channels. We expect to continue to make strategic acquisitions of and investments in other businesses that offer complementary products, services and technologies, augment our market segment coverage and geographic locations, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals. If we fail to integrate acquired businesses successfully into our existing businesses, or incur unforeseen expenses in consummating future acquisitions or other investments, we could incur unanticipated expenses and losses.

Any transactions or relationships will be accompanied by the risks commonly encountered with those matters. Risks that could have a material adverse affect on our business, results of operations or financial condition include, without limitation:

- the difficulty of assimilating the operations and personnel of acquired businesses;
- the potential disruption of our ongoing business;
- the distraction of management from our business;
- the loss of customers of the acquired business;
- the potential inability of management to maximize our financial and strategic position as a result of an acquisition or investment;

- the potential for costs and delays in implementing, and the potential difficulty in maintaining, uniform standards, controls, procedures and policies, including the integration of different information systems;
- the impairment of relationships with employees and customers as a result of any integration of new management personnel;
- the risk of entering market segments in which we have no or limited direct prior experience and where competitors in such market segments have stronger market segment positions;
- the risk that there could be deficiencies in the internal controls of any acquired company or investments that could result in a material weakness in our overall internal controls taken as a whole;
- the potential loss of key employees of an acquired company;
- the potential dilution of earnings through acquisitions and options granted to employees of acquired companies or businesses; and
- the potential for shareholder lawsuits.

We currently face and will continue to face significant competition.

Our products face and will continue to face significant competition. New developments in technology may negatively affect the development or sale of some or all of our products or make our products uncompetitive or obsolete. Other companies, many of which have substantially greater resources, are currently engaged in the development of plug-in electric hybrid, hydrogen and electric hybrid propulsion products and technologies that are similar to, or may be competitive with, certain of our products and technologies.

Because the plug-in electric hybrid, fuel cell and hybrid propulsion technologies have the potential to replace existing power sources, competition for plug-in electric, fuel cell and hybrid products will come from current power technologies, from improvements to current power technologies and from new alternative power technologies. Increases in the market for alternative fueled vehicles may cause original equipment manufacturers to find it advantageous to develop and produce their own hybrid propulsion or fuel management equipment rather than purchase the equipment from us. In addition, greater acceptance of plug-in electric hybrid, electric vehicles and alternative fuel engines or fuel cells may result in new competitors. Furthermore, there are competitors, including original equipment manufacturers, working on developing other plug-in electric, fuel cell and hybrid vehicle technologies in our targeted markets. A large number of corporations, national laboratories and universities in the United States, Canada, Europe and Japan possess plug-in electric, fuel cell and hybrid vehicle technology and/or are actively engaged in the development and manufacture of plug-in electric, fuel cell and hybrid vehicles. Each of these competitors has the potential to capture market share in various markets, which would have a material adverse effect on our position in the industry and our business, results of operations and financial condition. Many of our competitors have greater financial, labor and other resources and a more diverse and developed customer base which give them significant competitive advantages.

We depend on our intellectual property, and our failure to protect that intellectual property could adversely affect our future growth and success.

Our failure to protect our existing intellectual property rights may result in the loss of our competitive advantage or the right to use our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation, and/or be enjoined from using such intellectual property.

We have not conducted formal evaluations to confirm that our technology and products do not or will not infringe upon the intellectual property rights of third parties. As a result, we cannot be certain that our technology and products do not or will not infringe upon the intellectual property rights of third parties. If infringement were to occur, our development, manufacturing, sales and distribution of such technology or products may be disrupted.

We rely on patent, trade secret, trademark and copyright law to protect our intellectual property. Our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, we cannot assure you that any of the patents we have filed or other patents that third parties license to us will not be invalidated, circumvented, challenged, rendered unenforceable, or licensed to others or that any of our pending or future patent applications will be issued with the breadth of claim coverage we seek, if issued at all.

Effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries. For instance, it may be difficult for us to enforce certain of our intellectual property rights against third parties who may have inappropriately acquired interests in our intellectual property rights by filing unauthorized trademark applications in foreign countries to register our marks because of their familiarity with our business in the United States.

Some of our proprietary intellectual property is not protected by any patent, copyright or patent or copyright applications, and, despite our precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. We have generally sought to protect such proprietary intellectual property in part by confidentiality agreements and, if applicable, inventors' rights agreements with strategic partners and employees, although such agreements have not been put in place in every instance. We cannot guarantee that these agreements adequately protect our trade secrets and other intellectual property or proprietary rights. In addition, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships. Furthermore, the steps we have taken and may take in the future may not prevent misappropriation of our solutions or technologies, particularly in respect of officers and employees who are no longer employed by us or in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States.

Our failure to obtain or maintain the right to use certain intellectual property may negatively affect our business.

Our future success and competitive position depends in part upon our ability to obtain or maintain certain proprietary intellectual property used in our principal products. This may be achieved, in part, by prosecuting claims against others who we believe are infringing our rights and by defending claims of intellectual property infringement brought by others. While we are not currently engaged in any material intellectual property litigation, in the future we may commence lawsuits against others if we believe they have infringed our rights, or we may become subject to lawsuits alleging that we have infringed the intellectual property rights of others. For example, to the extent that we have previously incorporated third-party technology and/or know-how into certain products for which we do not have sufficient license rights, we could incur substantial litigation costs, be forced to pay substantial damages or royalties, or even be forced to cease sales in the event any owner of such technology or know-how were to challenge our subsequent sale of such products (and any progeny thereof). In addition, to the extent that we discover or have discovered third-party patents that may be applicable to products or processes in development, we may need to take steps to avoid claims of possible infringement, including obtaining non-infringement or invalidity opinions and, when necessary, re-designing or re-engineering products. However, we cannot assure you that these precautions will allow us to successfully avoid infringement claims. Our involvement in intellectual property litigation could result in significant expense to us, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of our technical and management personnel, whether or not such litigation is resolved in our favor. In the event of an adverse outcome in any such litigation, we may, among other things, be required to:

- pay substantial damages;
- cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;

- discontinue processes incorporating infringing technology; or
- obtain licenses to the infringing intellectual property.

We cannot assure you that we would be successful in any such development or acquisition or that any such licenses would be available upon reasonable terms, if at all. Any such development, acquisition or license could require the expenditure of substantial time and other resources and could have a material adverse effect on our business, results of operations and financial condition.

Our business could suffer if we fail to attract and maintain key personnel.

Our future depends, in part, on our ability to attract and retain key personnel, including engineers, technicians, machinists and management personnel. For example, our research and development efforts depend on hiring and retaining qualified engineers. Competition for highly skilled engineers is extremely intense, and we may experience difficulty in identifying and hiring qualified engineers in many areas of our business. Our future also depends on the continued contributions of our executive officers and other key management and technical personnel, each of whom would be difficult to replace. We do not maintain a key person life insurance policy on our chairman of the board, our chief executive officer, or our chief financial officer. The loss of the services of one or more of our senior executive officers or key personnel, or the inability to continue to attract qualified personnel, could delay product development cycles or otherwise materially harm our business, results of operations and financial condition.

Our insurance may not be sufficient.

We carry insurance that we consider adequate in regard to the nature of the covered risks and the costs of coverage. We are not fully insured against all possible risks, nor are all such risks insurable.

Changes in environmental policies could hurt the market for our products and our renewable energy projects.

The market for plug-in electric hybrid, fuel cell, hybrid and other forms of alternative fuel vehicles and equipment and the demand for our products are driven, to a significant degree, by local, state and federal regulations that relate to air quality, greenhouse gases and pollutants, and that require the purchase of motor vehicles and equipment operating on alternative fuels or fuel cells. Similarly, foreign governmental regulations also affect our international business. These laws and regulations may change, which could result in transportation or equipment manufacturers abandoning or delaying their interest in alternative fuel and fuel cell powered vehicles or equipment. In addition, a failure by authorities to enforce current domestic and foreign laws or to adopt additional environmental laws could limit the demand for our products.

Although many governments have identified as a significant priority the development of alternative energy sources, and fuel cells in particular, we cannot assure you that governments will not change their priorities or that any change they make would not materially affect our revenue or the development of our products.

Our renewable energy projects are also subject to a number of environmental laws, rules and policies related to noise, air, water, wildlife and other aspects of the environment and the surrounding habitat which must be adhered to in order to obtain the permits necessary to develop, construct and operate the projects. Any change in such laws, rules and policies could result in significant cost-overruns and delays or termination of such projects.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting.

We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses in those internal controls.

In our Annual Report on Form 10-K for the year ended April 30, 2009, we reported that we had a material weakness over the accounting for and disclosure of derivatives associated with debt and warrant instruments because we lacked the technical expertise and did not maintain adequate procedures to ensure that the accounting for derivative financial instruments was appropriate under U.S. generally accepted accounting principles (GAAP). Procedures related to identifying derivative instruments and disclosing derivative instruments at April 30, 2009 did not operate properly and this material weakness resulted in a restatement of our prior financial statements. Since April 30, 2009, we developed and implemented a remediation plan to address the identified material weakness as follows: (i) we increased our technical expertise of GAAP associated with accounting for derivative instruments and (ii) we enhanced internal procedures to better identify derivative financial instruments.

Although we believe that these efforts have strengthened our internal control over financial reporting and address the concern that gave rise to the material weakness as of April 30, 2009, we cannot be certain that our expanded knowledge and revised internal control practices will ensure that we maintain adequate internal control over our financial reporting in future periods. Any failure to maintain such internal controls could adversely impact our ability to report our financial results on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and the NASDAQ Global Market, we could face severe consequences from those authorities. In either case, there could result a material adverse effect on our business. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Risks Relating to Our Stock

Our stockholders are subject to significant dilution upon the occurrence of certain events which could result in a decrease in our stock price.

As of March 23, 2012, we had approximately 63.3 million shares of our common stock designated for future issuance upon the exercise of outstanding options and warrants, conversion of outstanding convertible debt or in settlement of other derivative securities.

Included in the shares of common stock designated for future issuance discussed above are 3,408,980 shares subject to warrants issued in October 2006 that were exercisable at $0.83 per share (the “October 2006 Warrants”), 550,703 shares subject to warrants issued in September 2011 that were exercisable at $0.83 per share (the “September 2011 Warrants”) and 564,348 shares subject to warrants issued in October 2011 that were exercisable at $0.83 per share (the “October 2011 Warrants”), all of which contain a provision that, subject to certain exceptions, resets the exercise price of such warrants if at any time while such warrants are outstanding we sell or issue (or are deemed to sell or issue) shares of our common stock or rights, warrants, options or other securities or debt convertible, exercisable or exchangeable for shares of our common stock at a price below the then current exercise price per share for such warrants. In addition, the October 2006 Warrants contain a provision that recalculates the number of shares that are subject to such warrants whenever there is a reset in the exercise price of such October 2006 Warrants so that the aggregate purchase price payable upon exercise of the October 2006 Warrants after the reset of the exercise price is the same as the aggregate purchase price payable immediately prior to the reset.

Future sales of substantial amounts of our common stock into the public, future resets to the exercise price of the October 2006 Warrants, September 2011 Warrants and October 2011 Warrants and the issuance of the shares reserved for future issuance will be dilutive to our existing stockholders and could result in a decrease in our stock price.

We may not be able to maintain compliance with NASDAQ's continued listing requirements.

Our common stock is listed on the Nasdaq Global Market. There are a number of continued listing requirements that we must satisfy in order to maintain our listing on the Nasdaq Global Market, including, without limitation, a requirement that our closing bid price be at least $1.00 per share. If we fail to maintain compliance with all applicable continued listing requirements for the Nasdaq Global Market and NASDAQ determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing to repay debt and fund our operations.

The market price and trading volume of our common stock may be volatile.

The market price and trading volume of our common stock has been volatile. We expect that the market price of our common stock will continue to fluctuate significantly for many reasons, including in response to the risk factors described in this prospectus or for reasons unrelated to our specific performance. In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the market price and trading volume of our common stock. Prices for our common stock may also be influenced by the depth and liquidity of the market for our common stock, investor perceptions about us and our business, our future financial results, the absence of cash dividends on our common stock and general economic and market conditions. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and could divert our management and other resources.

Because we do not expect to pay dividends on our common stock in the foreseeable future, you must rely on stock appreciation for any return on your investment.

We have paid no cash dividends on our common stock to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends on our common stock in the foreseeable future, and payment of cash dividends on our common stock, if any, will also depend on our financial condition, results of operations, capital requirements and other factors and will be at the discretion of our board of directors. Furthermore, pursuant to the terms of our Credit Agreement, as amended, with our senior secured lender we are prohibited from declaring or making any dividends as long as the Credit Agreement remains in effect. Accordingly, the success of your investment in our common stock will likely depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value or even maintain the price at which you purchased your units, and you may not realize a return on your investment in our securities.

Provisions of Delaware law and of our Amended and Restated Certificate of Incorporation and Bylaws may make a takeover or change in control more difficult.

Provisions in our Amended and Restated Certificate of Incorporation and Bylaws, and of Delaware corporate law, may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that our management and board of directors oppose. Public stockholders that might desire to participate in one of these transactions may not have an opportunity to do so. Our Amended and Restated Certificate of Incorporation and Bylaws provide for the following:

- a staggered board of directors, which makes it difficult for stockholders to change the composition of the board of directors in any one year;
- the exclusive right of the board of directors to change the number of directors and fill vacancies on the board of directors, which could make it more difficult for a third party to obtain control of the board of directors;

- authorizing the issuance of preferred stock which can be created and issued by the board of directors without prior stockholder approval, commonly referred to as "blank check" preferred stock, with rights senior to those of our common stock, which could make it more difficult or expensive for a third party to obtain voting control of us;
- advance notice requirements for director nominations or other proposals at stockholder meetings;
- prohibiting stockholder action by written consent, which could delay a third party from pursuing an acquisition; and
- requiring the affirmative vote of holders of at least two-thirds of our outstanding voting stock to amend certain provisions in our Amended and Restated Certificate of Incorporation and Bylaws, and requiring the affirmative vote of 80% of our outstanding voting stock to amend certain other provisions of our Amended and Restated Certificate of Incorporation and Bylaws, which could make it more difficult for a third party to remove the provisions we have included to prevent or delay a change of control.

These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or to change our management and the board of directors.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

Our corporate headquarters is located in Irvine, California. The facility in Irvine is leased from Cartwright, LLC and another unrelated party (collectively referred to as "Cartwright LLC"). Our chief executive officer and an irrevocable trust established by our chairman of the board own 50% and 36.67%, respectively, of Cartwright, LLC. The remaining 13.33% of Cartwright, LLC is owned by an unrelated party.

Our facility in Lake Forest, California conducts the research and development for our *Q-Drive* hybrid electric propulsion system and other hybrid technologies, production of systems and technologies that enable the use of gaseous fuels in internal combustion engines and fuel cells, including CNG and hydrogen systems integration, validation and certification for concept, prototype and production vehicles. The center additionally conducts research and development of advanced fuel delivery and electronic control systems for light- and medium-duty OEM alternative fuel vehicles and for fuel cell applications, including transportation. Our facility in Toronto, Ontario houses the administrative offices of our wholly-owned subsidiary, Schneider Power.

As of March 23, 2012, we utilize manufacturing, research and development and general office facilities in the locations set forth below:

Location	Approximate Square Footage	Owned or Leased	Lease Expiration Date	Principal Uses
Irvine, California	88,000	Leased	10/31/15	Corporate offices
Lake Forest, California	94,000	Leased	5/31/15	Manufacturing, assembly, design, research and development, and testing
Toronto, Ontario	5,000	Leased	2/28/13	Administrative offices—Schneider Power, Inc.

We believe our facilities are presently adequate for our current core product manufacturing operations and OEM development programs and production; however, our existing facilities are currently underutilized. Specifically, we only utilize approximately 20% of our available space in our Irvine, California facility for our corporate offices. We anticipate that the unoccupied portions of our facilities will either be fully utilized as we expand our CNG tank production capabilities and expand our operations in the hybrid vehicle industry, or sub-leased to third parties. If we require additional facilities, we believe we will be able to obtain suitable space on commercially reasonable terms.

Item 3. Legal Proceedings.

From time to time, we receive claims of and become subject to product liability, employment, intellectual property and other commercial litigation related to the conduct of our business. Such litigation, regardless of its merit or outcome, could be costly and time consuming and could divert our management and other key personnel from our business operations. The uncertainty of litigation increases the risks associated with it. In connection with such litigation, we may be subject to significant damages or equitable remedies relating to the operation of our business. Any such litigation may materially harm our business, results of operations and financial condition.

We are not currently a party to any material legal proceeding.

Item 4. Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been traded on the Nasdaq Global Market (f/k/a the Nasdaq National Market) under the symbol "QTWW" since July 23, 2002. Our Series B common stock is not publicly traded. The table below sets forth, for the periods indicated, the high and low daily sales prices for our common stock as reported on the Nasdaq Global Market:

	High	Low
Year Ended April 30, 2010		
Three months ended July 31, 2009	$17.60	$13.00
Three months October 31, 2009	35.40	12.40
Three months ended January 31, 2010	28.40	14.40
Three months ended April 30, 2010	17.40	12.00
Year Ended April 30, 2011		
Three months ended July 31, 2010	$15.00	$ 9.40
Three months ended October 31, 2010	12.60	7.60
Three months ended January 31, 2011	12.40	8.40
Three months ended April 30, 2011	9.20	2.56
Eight Months Ended December 31, 2011		
Three months ended July 31, 2011	$ 6.29	$ 2.25
Three months ended October 31, 2011	4.64	1.87
Two months ended December 31, 2011	2.15	0.70

On March 23, 2012, the last reported sale price for our common stock as reported by the Nasdaq Global Market was $0.74 per share and there were approximately 750 holders of record of our common stock and one holder of record of our Series B common stock.

Dividend Policy

We have not paid any dividends in the past, and we do not anticipate paying any dividends on our common stock in the foreseeable future because we expect to retain our future earnings for use in the operation and expansion of our business. Our payment and amount of dividends, however, will be subject to the discretion of our board of directors and will depend, among other things, upon our results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our board of directors.

We did not repurchase any securities during the eight month period ended December 31, 2011. Item 12 of Part III of this Transition Report on Form 10-K contains information concerning securities authorized for issuance under equity compensation plans.

Item 6. Selected Financial Data.

The following table summarizes certain historical financial information at the dates and for the periods indicated prepared in accordance with U.S. Generally Accepted Accounting Principles. The Consolidated Statement of Operations data for the years ended April 30, 2009, 2010 and 2011, and for the eight months ended December 31, 2011 and the Consolidated Balance Sheet data as of April 30, 2010, April 30, 2011 and December 31, 2011 have been derived from our audited consolidated financial statements included elsewhere in this Transition Report. The Consolidated Statement of Operations data for the years ended April 30, 2007 and 2008 and the Balance Sheet data as of April 30, 2007, 2008 and 2009 have been derived from audited financial statements not included in this Transition Report. Certain reclassifications have been made to amounts for the years 2007 through 2011 to conform to the eight month period ended December 31, 2011 presentation. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto, which are included elsewhere in this Transition Report.

	Year Ended April 30,					Eight Months Ended December 31,
	2007	2008	2009	2010(3)	2011	2011
	(all amounts in thousands, except per share amounts)					
Statement of Operations Data:						
Revenue:						
Net product sales	$ 10,663	$ 11,856	$ 975	$ 1,450	$ 4,544	$ 15,052
Contract revenue	7,016	14,641	22,283	8,155	15,730	9,426
Total revenue	17,679	26,497	23,258	9,605	20,274	24,478
Cost and expenses:						
Cost of product sales, affiliate	—	—	—	—	78	2,272
Cost of product sales, non-affiliates	9,484	10,016	2,288	1,573	3,615	8,485
Research and development	14,146	17,499	25,177	13,534	18,098	10,312
Selling, general and administrative	15,811	16,077	13,889	14,133	14,871	11,351
Amortization and impairment of long-lived assets	1,674	1,676	7,021	869	1,426	27,431
Operating loss	(23,436)	(18,771)	(25,117)	(20,504)	(17,814)	(35,373)
Interest expense, net	(16)	(2,557)	(3,691)	(2,415)	(3,368)	(4,298)
Fair value adjustments of derivatives	1,248	(611)	27,693	(10,574)	13,215	4,610
Loss on modification of debt and derivatives	—	—	(23,834)	(14,687)	(1,513)	(2,560)
Gain (loss) on settlement of debt and derivatives	(281)	—	(4,294)	822	(1,494)	220
Minority interest in losses of subsidiary	811	1,719	—	—	—	—
Equity in earnings (losses) of affiliates, net	—	335	(733)	1,089	(314)	(1,111)
Other income (expense), net	7	(27)	1,985	(19)	17	—
Income tax benefit (expense)	(2)	(2)	(2)	(6)	241	15
Loss from continuing operations	(21,669)	(19,914)	(27,993)	(46,294)	(11,030)	(38,497)
Loss from discontinued operations(1)	(118,184)	(66,886)	—	—	—	—
Net loss	$(139,853)	$(86,800)	$(27,993)	$(46,294)	$(11,030)	$(38,497)
Per share data—basic and diluted:						
Loss from continuing operations	$ (7.03)	$ (5.19)	$ (6.08)	$ (7.17)	$ (1.14)	$ (2.47)
Loss from discontinued operations	(38.27)	(17.42)	—	—	—	—
Net Loss	$ (45.29)	$ (22.60)	$ (6.08)	$ (7.17)	$ (1.14)	$ (2.47)
Weighted average number of shares outstanding—basic and diluted(2)	3,088	3,840	4,601	6,460	9,700	15,577

(1) Consists of the operations of Tecstar Automotive Group, Inc. since the acquisition date of March 3, 2005. All of the historical activities of the Tecstar Automotive Group business segment have been classified as discontinued operations in connection with the disposal of the businesses on January 16, 2008.

(2) See Note 15 of the notes to the consolidated financial statements included elsewhere in this Transition Report for an explanation of the method used to determine the number of shares used to compute the net loss per share.

(3) Includes the operations of Schneider Power, Inc. since the acquisition date of April 16, 2010.

	April 30,					December 31,
	2007	2008	2009	2010(1)	2011	2011
	(all amounts in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 2,526	$ 6,024	$ 2,621	$ 4,027	$ 2,776	$ 3,798
Working capital (deficit)	15,159	(14,317)	(24,434)	(11,177)	(22,137)	(3,714)
Total assets	167,543	68,786	59,883	73,018	71,970	46,437
Derivative instruments	3,340	16,409	15,198	19,216	4,378	1,496
Long-term debt, less current portion	22,311	29,941	18,540	21,134	203	38
Total equity	80,198	1,786	5,132	24,003	38,578	25,573

(1) Includes the balances of Schneider Power, Inc (SPI). SPI was acquired on April 16, 2010.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this Transition Report. This discussion contains forward-looking statements, which generally include the plans and objectives of management for future operations, estimates or projections of future economic performance, and our current beliefs regarding revenues, profits and losses, capital resources and liquidity. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various risks and uncertainties, including those set forth under the "Risk Factors" section and elsewhere in this Transition Report.

Company Overview

We are a fully integrated alternative energy company and a leader in the development and production of natural gas, fuel cell and other advanced clean propulsion systems and renewable energy generation systems and services. We believe that we are uniquely positioned to integrate advanced fuel and electric drive systems, software control strategies and propulsion control system technologies for alternative fuel vehicles, in particular, natural gas, plug-in hybrid electric, electric, fuel cell and hydrogen hybrid vehicles based on our years of experience in vehicle-level design, system and component software development, vehicle electronics, system control strategies and system integration. Our customer base includes automotive Original Equipment Manufacturers (OEMs), military and governmental agencies, aerospace, and other strategic alliance partners.

Our consolidated financial statements include the accounts of Quantum Fuel Systems Technologies Worldwide, Inc., our wholly owned subsidiary, Schneider Power, Inc. (Schneider Power), and our majority-owned subsidiary, Quantum Solar Energy, Inc. (Quantum Solar).

Financial Operations Overview

In managing our business, our management uses several financial and non-financial factors to analyze our performance. Financial factors include forecast to actual comparisons, analysis of revenue and cost trends, project costs and analysis, backlog of customer programs, and changes in levels of working capital. Non-financial factors include assessing the extent to which current programs are progressing in terms of timing and deliverables and the success to which our systems are interfacing with our customers' vehicle applications. We also assess the degree to which we secure additional programs or new programs from our current or new OEM customers and the level of government funding we receive for propulsion systems and storage solutions. We also evaluate the number of units shipped as part of current and new programs and evaluate the operations of our affiliates.

Non financial factors for the Renewable Energy business segment include wind study results, land ownership agreements, interconnections to the grid, power purchase agreements and other project metrics framing the underlying economics of a renewable energy farm.

We expense all research and development when incurred. Research and development expense includes both customer-funded research and development and company-sponsored research and development. Customer-funded research and development consists primarily of expenses associated with contract revenue. These expenses include application development costs we funded under customer contracts. We will continue to require significant research and development expenditures over the next several years in order to commercialize our products for hybrid, hydrogen fuel cell and alternative fuel applications.

We classify our business operations into three reporting segments: Electric Drive & Fuel Systems, Renewable Energy and Corporate. The Corporate segment consists of general and administrative expenses incurred at the corporate level that are not directly attributable to the Electric Drive & Fuel Systems or Renewable Energy business segments. The Corporate segment also includes activities of our anticipated future operating segments. The chief operating decision maker allocates resources and tracks performance by the reporting segments. We evaluate performance based on profit or loss from operations before interest and income taxes.

Electric Drive & Fuel Systems Segment

Our Electric Drive & Fuel Systems Segment provides hybrid drivetrain and advanced fuel system design and technology, powertrain engineering, electronic control and software strategies, system integration, manufacturing and assembly of propulsion systems and sub-systems for a variety of automotive and transportation applications including natural gas, plug-in hybrid electric, hybrid electric, range extended plug-in electric, fuel cell and other alternative fuel vehicles. Our products, technologies and engineering services are designed to meet the growing demand for improved fuel economy. We supply our products, systems and design services primarily to OEMs for use in their natural gas, plug-in hybrid electric, hybrid electric, range extended plug-in electric, fuel cell and other alternative fuel vehicles. Since 1997, we have sold approximately 20,000 systems for alternative fuel vehicles, primarily to General Motors.

Renewable Energy

Our Renewable Energy segment consists solely of the business operations of Schneider Power, headquartered in Toronto, Ontario, Canada. Schneider Power is a licensed electricity generator, developer and builder of renewable electricity generation facilities. Schneider Power develops, builds, owns and operates wind electricity generation facilities and is planning similar development of solar power generating facilities. Schneider Power has a significant portfolio of wind and solar energy projects in various stages of development throughout North America and the Caribbean. Additionally, we currently own and operate a 1.6 megawatt (MW) wind farm in Ontario, Canada.

Corporate Segment

The Corporate segment consists of general and administrative expenses incurred at the corporate level that are not directly attributable to the Electric Drive & Fuel Systems or Renewable Energy reporting segments. Corporate expenses consist primarily of personnel costs, share-based compensation costs and related general and administrative costs for executive, finance, legal, human resources, investor relations and our board of directors.

Activities of Quantum Solar are included in our Corporate segment and to date principally consist of plant and equipment expenditures for solar module production capability, net of impairments recognized in the eight months ended December 31, 2011. Quantum Solar has suspended all activities associated with its anticipated solar module manufacturing operation. If Quantum Solar commences a manufacturing operation in the future, we anticipate that we will report these activities under a new business segment separate from the Electric Drive & Fuel Systems, Renewable Energy and Corporate reporting segments.

The assets represented by our investments in certain strategic businesses that we account for under the equity method, including Asola, are also part of our Corporate segment. Pursuant to the terms of a Binding Letter of Intent dated May 11, 2007, which was the basis for our acquisition of the 24.9% interest in Asola, we were granted an option for a period of two years following the closing date of our acquisition of the 24.9% interest to increase our ownership in Asola by an additional 7.76%, to 32.66%, in exchange for 100,000 euro. On December 28, 2009, we provided Asola with written notice that we were exercising the option. Subsequently, we commenced negotiations with Asola's majority owner, ConSolTec GmbH (ConSolTec), regarding our acquisition of a majority interest in Asola. During the pendency of such negotiations, we agreed to forgo closing on the option exercise and reserved our right to withdraw the option exercise. The negotiations culminated in the execution of a non-binding letter of intent, which set forth the terms by which we would acquire a majority interest in Asola (Asola LOI). The Asola LOI, as amended, expired in June 2011, however, we continue to explore options to expand our strategic alliance with Asola.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with US generally accepted accounting principles (US GAAP) and are included elsewhere in this report. We believe that the application of certain critical accounting policies, which are important to our financial position and results of operations, require significant judgments and estimates on the part of management. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Our management has discussed the development and selection of these critical accounting policies and estimates with the audit committee of our board of directors, and the audit committee has reviewed the disclosure presented below relating to them. We believe the critical accounting policies described below affect the more significant judgments and estimates used in the preparation of our consolidated financial statements:

- We generally manufacture products based on specific orders from customers. Revenue is recognized on product sales upon shipment or when the earnings process is complete and collectability is reasonably assured, which for product sales is generally upon shipment from our warehouse or shipment from warehouses of certain component suppliers that we have contractual relationships with. We include the costs of shipping and handling, when incurred, in cost of goods sold. In certain circumstances, customers pay one price for multiple products and services. For arrangements with multiple deliverables, revenue is recognized upon the delivery of the separate units based on their relative selling prices. Consideration from multiple element arrangements is allocated among the separate elements based on their relative fair values in accordance with Accounting Standards Update (ASU) No. 2009-13, *"Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements."*
- We generally recognize revenue and profit as work progresses on long-term, fixed price contracts for product application development using the percentage-of-completion method. Generally, we estimate percentage complete by determining cost incurred to date as a percentage of total estimated cost at completion. For certain other contracts, percentage complete is determined by measuring progress towards contract deliverables if it is determined that this methodology more closely tracks the realization of the earnings process. For contracts measured under the estimated cost approach, we believe we can generally make dependable estimates of the revenue and costs applicable to various stages of a contract. Recognized revenue and profit are subject to revisions as the contract progresses to completion. Our estimates of contract costs are based on expectations of engineering development time and materials and other support costs. These estimates can change based on unforeseen technology and integration issues, but known risk factors and contract challenges are generally allowed for in the initial scope and cost estimate of the program. Our historical final contract costs have usually approximated the initial estimates and any unforeseen changes in the estimates have not normally resulted in a material impact to financial results. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known. For energy sales, we recognize revenues based on the terms of a power purchase agreement which outlines long-term pricing and escalation for the power produced by the renewable energy farm.
- We conduct a major portion of our business with a limited number of customers. For the eight months ended December 31, 2011 and for the foreseeable future, Fisker Automotive has represented and is

expected to continue to represent, a significant portion of our revenues and accounts receivables. Credit is extended based upon an evaluation of each customer's financial condition, with terms consistent with those present throughout the industry. Typically, we do not require collateral from customers. We have recorded an allowance for uncollectible accounts receivable based on past experience and certain circumstances surrounding the composition of total accounts receivable. To the extent we increase this allowance, we must include an expense in the statement of operations. If commercial conditions differ from management's estimates, an additional write-off may be required.

- We provide for the estimated cost of product warranties at the time revenue is recognized based on past experience and expectations of future costs to be incurred. Our Electric Drive & Fuel Systems segment provides product warranties in certain circumstances depending on the platform and model year. For prototype components and systems that are not production intent, warranties are generally not provided. While we engage in product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required.

- We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. As part of our estimate, we rely upon future planned design configurations and projected alternative usage of certain components estimated by our engineering teams. We also consider estimated demand for service and warranty parts based on historical information. If actual usage rates or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

- We account for our ownership interests in Asola, PCD and Shigan Quantum under the equity method of accounting in accordance with Accounting Standards Codification (ASC) Topic No. 323 "Investments—Equity Method and Joint Ventures" (ASC 323) as a result of our ability to exercise significant influence over the operating and financial policies of these affiliates. Under ASC 323, investments of this nature are recorded at original cost and adjusted periodically to recognize our proportionate share of the entity's net income or losses after the date of investment. When net losses from an investment accounted for under the equity method exceed its carrying amount, the investment balance is reduced to zero and additional losses are not recorded. We resume accounting for the investment under the equity method when the entity subsequently reports net income and our share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. We account for our ownership interest in Fisker Automotive under the cost method of accounting in accordance with ASC Topic No. 325-20 "Cost Method Investments" (ASC 325-20). Under ASC 325-20, investments of this nature are initially recorded at cost. Income is recorded for dividends received that are distributed from net accumulated earnings of the investee subsequent to the date of investment. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as reductions in the cost of the investment. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred. Our foreign based affiliates have functional currencies other than the US Dollar. As such, translation adjustments may result from the process of translating our affiliates' financial statements from their functional currency to US Dollars, which we account for in accordance with ASC Topic No. 830 "Foreign Currency Matters."

- We periodically evaluate our long-lived assets for impairment, particularly intangible assets and goodwill relating to acquisitions. Goodwill is not amortized, but is evaluated periodically for any impairment in the carrying value. We review our long-lived assets, which include property and equipment, construction in process, intangible assets and goodwill, for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors we consider important which could trigger an impairment review include, but are not limited to, the following: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of our use of the acquired assets or the strategy for our overall business; significant negative industry or economic trends; and a significant decline in our stock price for a sustained period. Goodwill and long-lived asset impairment assessments are generally determined based on fair value techniques, including determining the estimated future discounted and undiscounted cash flows over the remaining useful life of the asset. Those models require estimates of future revenue, profits, capital expenditures and working capital for each reporting unit. We estimate these amounts by evaluating historical trends, the current state of the automotive and renewable energy industries and the economy, current budgets, and operating plans. Discounted cash flows are calculated using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Determining the fair value of reporting units and goodwill includes significant judgment by management and different judgments could yield different results. Any resulting impairment loss could have a material impact on our financial condition and results of operations.

- We account for provisions contained within certain of our debt obligations and warrant contracts as derivative instrument liabilities in accordance with ASC Topic No. 815 "Derivatives and Hedging" (ASC 815). The share price of our common stock represents the underlying variable that gives rise to the value of the derivative instruments. Additional factors include the volatility of our stock price, our credit rating, discount rates, and stated interest rates. In accordance with ASC 815, the derivative instrument liabilities are recorded at fair value and marked to market each period. Changes in fair value of the derivatives each period resulting from a movement in the share price of our common stock or the passage of time are recognized as fair value adjustments of derivative instruments on our consolidated statements of operations as other income or expense. The fair value adjustments can have a material impact on our financial condition and results of operations.

- We evaluate whether modifications to and restructuring of existing debt instruments result in substantial changes as defined by ASC Topic No. 470, "Debt" (ASC 470). Significant management judgment is required and we use the assistance of independent valuation consultants to estimate the fair value of the original and amended debt instruments as part of our evaluation. Different judgments could yield different results. If we determine that a substantial change has occurred with respect to the modifications, we treat the transaction as an extinguishment of the original debt and recognize a gain or loss on the debt retirement. If we determine that our lender has for economic or legal reasons related to our financial condition, granted us a concession that our lender would not otherwise consider, we treat the modifications as a troubled debt restructuring and analyze whether a gain should be recorded in connection with the concession.

- We account for stock compensation expense under ASC Topic No. 718 "Compensation—Stock Compensation" (ASC 718). ASC 718 requires all share-based payments, including grants of stock options and restricted stock, to be recognized in our financial statements based on their respective grant date fair values. Under this standard, the fair value of each employee stock option is estimated on the date of grant using an option-pricing model that meets certain requirements. We currently use the Black-Scholes option-pricing model to estimate the fair value of our stock options. The Black-Scholes model meets the requirements of ASC 718 but the fair values generated by the model may not be indicative of the actual fair values of our stock options as it does not consider certain factors important to share-based awards, such as continued employment, periodic vesting requirements and limited transferability. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We estimate the expected volatility and estimated life of our stock options at grant date based on historical data trended into the future. The risk-free interest rate assumption is the Constant Maturity Treasury rate on government securities with a remaining term equal to the expected term of the option. The dividend yield assumption is based on our history and expectation of dividend payouts. The grant date fair value of our restricted stock is based on the fair market value of our common stock on the date of grant. Share-based compensation expense recognized in our financial statements is based on awards that are ultimately expected to vest. The amount of share-based compensation expense is reduced for estimated forfeitures based on historical experience. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We evaluate the assumptions used to value stock-based awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense. To the extent that we grant additional equity securities to employees or we assume unvested securities in connection with any acquisitions, our share-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions.

- As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the estimation of our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. Included in this assessment is the determination of the net operating loss carry-forward that has resulted from our cumulative net operating loss. These temporary differences result in an overall net deferred tax asset or liability position. We must assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent that we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or change this allowance in a period, we generally include an expense or benefit within the tax provision in the consolidated statement of operations. Significant management judgment is required in determining our provision for income taxes, our deferred tax liabilities and our deferred tax assets, including any valuation allowance recorded against our deferred tax assets. We have recorded a partial valuation allowance on our deferred tax assets due to uncertainties related to our ability to fully utilize these assets, primarily consisting of net operating losses and credits that may be carried forward before they expire, and that are subject to certain limitations. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust the recorded valuation allowance, which could materially impact our financial position and results of operations.

New Accounting Pronouncements

See Note 2 to the accompanying Consolidated Financial Statements for information regarding recent accounting pronouncements adopted and or issued.

Results of Operations

Eight Months Ended December 31, 2010 and 2011

Total revenues and operating loss for our business segments and gross profit on our product sales for the eight month periods ended December 31, 2010 and 2011 were as follows:

	Eight Months Ended December 31,	
	2010(1)	2011
	(Unaudited)	
Total Revenue		
Electric Drive & Fuel Systems	$ 9,997,536	$ 24,302,343
Renewable Energy	517,927	175,378
Corporate	—	—
Total	$ 10,515,463	$ 24,477,721
Operating Loss		
Electric Drive & Fuel Systems	$ (5,695,774)	$(16,961,774)
Renewable Energy	(1,001,378)	(8,994,887)
Corporate	(5,987,162)	(9,416,789)
Total	$(12,684,314)	$(35,373,450)
Product Gross Profit		
Electric Drive & Fuel Systems:		
Net product sales	$ 1,924,936	$ 14,876,349
Cost of product sales	(1,850,311)	(10,652,953)
Product gross profit	$ 74,625	$ 4,223,396
Renewable Energy:		
Net product sales	$ 189,246	$ 175,378
Cost of product sales	(90,168)	(104,238)
Product gross profit	$ 99,078	$ 71,140

(1) The 2010 eight month period has been prepared on a pro forma and unaudited basis and includes certain estimates.

For the eight month period ended December 31, 2011, revenues reached $24.5 million, an increase of $14.0 million, or 133%, from $10.5 million in the eight month period ended December 31, 2010. The increase in revenues was primarily due to increased product shipments to Fisker Automotive of components related to our *Q-Drive* hybrid drive system.

Electric Drive & Fuel Systems Segment

Revenues for our Electric Drive & Fuel Systems segment increased $14.3 million from $10.0 million in the eight month period ended December 31, 2010, to $24.3 million in the eight month period ended December 31, 2011. Revenue from product sales for this segment increased $13.0 million during this period, from $1.9 million to $14.9 million, due to increased product shipments to Fisker Automotive and increased shipments of high pressure fuel storage systems for natural gas applications. Contract revenue for this segment increased $1.3 million, or 16%, from $8.1 million in the eight month period ended December 31, 2010, to $9.4 million in the current year eight month period. Contract revenue is derived primarily from system development, application engineering and qualification testing of our products and systems under funded contracts with OEMs and other customers.

Fisker Automotive comprised 62% and General Motors comprised 14% of the total Electric Drive & Fuel Systems segment revenue reported for the eight months ended December 31, 2011, respectively. For calendar

2012 and for the foreseeable future, we anticipate that Fisker Automotive will continue to represent a significant portion of our overall Electric Drive & Fuel Systems segment revenues as we continue to ship components to and provide development services in support of Fisker Automotive's Karma vehicle.

Cost of product sales for the Electric Drive & Fuel Systems segment increased $8.8 million, from $1.9 million for the eight month period in 2010, to $10.7 million for the eight month period in 2011, primarily as a result of increased product sales.

Gross profit on product sales increased $4.1 million, from $0.1 million for the eight month period in 2010, to $4.2 million for the eight month period in 2011, primarily due to increased shipments of our products in the 2011 period.

Research and development expense associated with development contracts decreased $1.3 million, from $6.9 million for the eight month period in 2010, to $5.6 million for the eight month period in 2011 and internally funded research and development expense increased $0.4 million, from $4.0 million for the eight month period in 2010, to $4.4 million for the eight month period in 2011. The decline in expense related to development contracts relates in part to the ramping down of the engineering efforts required to integrate our *Q-Drive* system into the Fisker Karma platform as the program progressed to the production stage. Our internally funded research effort includes hybrid control strategies and proprietary software designed to precisely control hybrid propulsion and vehicle performance and hydrogen storage, injection and regulation programs.

Selling, general and administrative expenses for the Electric Drive & Fuel Systems segment for the eight month period in 2011 were $2.6 million, as compared to $2.9 million for the eight month period in 2010.

During the eight month period ended December 31, 2011, we realized a $6.7 million improvement in operating performance in the Electric Drive & Fuel Systems segment as compared to the prior year period; however, due primarily to the recognition as of December 31, 2011 of a non-cash impairment charge to goodwill of $18.0 million, our overall operating loss for the eight month period increased $11.3 million, from $5.7 million in the prior eight month period, to $17.0 million in the current period. Due to a decline in our market capitalization that occurred late in the 2011 calendar year, we initiated a detailed assessment of the fair value of our Electric Drive & Fuel Systems reporting unit and determined the carrying value exceeded its fair value and, as a result, concluded the fair value of the reporting unit no longer supported the full carrying amount of its goodwill. As a result of our assessment, we recognized an impairment charge of $18.0 million at December 31, 2011. Exclusive of the goodwill impairment charge, this segment would have had $1.0 million in operating income during the eight month period ended December 31, 2011. The significant improvement in operating performance was primarily due to the higher revenues and improved product margins during the current eight month period.

Renewable Energy Segment

Revenues for our Renewable Energy segment include energy sales related to Schneider Power's Providence Bay wind farm and revenue from construction management services on other projects. Revenues for this segment were $0.2 million for eight month period in 2011, compared to $0.5 million in the same prior year period. The operating loss for this segment was $9.0 million for the eight month period in 2011, compared to a loss of $1.0 million in the same prior year period. The operating loss for this segment for the eight month period in 2011 included impairment charges of $7.5 million that were recorded at October 31, 2011, of which $5.0 million was to reduce the carrying value of the intangible asset associated with Schneider Power's renewable energy project portfolio and $2.5 million was to fully write-off goodwill allocated to the Renewable Energy segment. The impairment charges were the result of industry wide factors and cancellations or delays in the development of certain of Schneider Power's renewable energy projects caused by our inability to access sufficient capital to advance the development of such projects.

We expect Schneider Power's operating activities to increase in calendar 2012 if we are able to obtain sufficient project debt to acquire renewable energy projects and/or enable further development and construction of Schneider Power's existing portfolio of wind and solar farm projects. However, we can provide no assurance that we will be successful in obtaining such project financing.

Corporate Segment

Expenses of our Corporate segment increased by $3.4 million, from $6.0 million in the eight month period in 2010, to $9.4 million in the eight month period ended December 31, 2011. The increase was primarily the result of $1.8 million in facility exit charges and $1.7 million of impairment charges related to the write-down of assets associated with a planned solar module manufacturing line and certain other investments.

Corporate expenses reported for this segment reflect the general and administrative expenses that indirectly support our ongoing Electric Drive & Fuel Systems segment, our Renewable Energy segment, and any future operating segments in addition to the non-recurring charges discussed further below. General and administrative charges of the Corporate segment consist primarily of personnel costs, share-based compensation costs and related general and administrative costs for executives, finance, legal, human resources, investor relations and our board of directors. Excluding the facility exit and impairment charges recognized in the eight month period ended in 2011, general and administrative expenses of the Corporate segment as a percentage of total consolidated revenues decreased to 24% for the eight month period in 2011, as compared to 57% for the eight month period in 2010, primarily due to higher revenues realized in the current period.

In June 2011, we entered into a sublease agreement with an unrelated third party for one of our facilities located in Lake Forest, California, consisting of approximately 62,000 square feet. The term of the sublease commenced on July 1, 2011 and expires on May 31, 2015. Except as set forth in the sublease agreement, the sublease agreement does not modify or limit the terms and conditions of our existing lease agreement, dated April 1, 2009, for that facility (the Master Lease). The fair value of our remaining obligations under the Master Lease exceeds the amount of rent we will receive under the sublease agreement by $1.7 million. Since we will continue to incur costs in excess of the sublease rents received for the remaining term of the Master Lease without economic benefit, we recognized total charges of $1.8 million in the eight months ending December 31, 2011.

Impairments of long-lived assets amounted to $1.7 million in the eight month period in 2011, of which $1.0 million was recognized at July 31, 2011 and $0.7 million was recognized at December 31, 2011. The amount recognized primarily relates to impairments associated with a solar manufacturing line that was under construction in anticipation of the planned start up of Quantum Solar's manufacturing operations in California. The solar manufacturing line was originally intended to be used by us in a full-scale, vertically-integrated solar panel assembly facility in Irvine, California; however, we suspended the project due to current market conditions. We also recognized an impairment charge of $0.1 million associated with our equity investment in Power Control and Design, representing the write-off of the remaining balance of our investment.

Non-Reporting Segment Results

Interest Expense. Interest expense, net of interest income, amounted to $4.3 million in the eight month period in 2011, as compared to $2.3 million recognized in the eight month period in 2010. Interest expense in the prior year period primarily related to debt instruments payable to our senior lender. The increase in expense during the current periods is primarily related to higher effective interest rates incurred associated with issuances of new unsecured debt obligations to investors in the 2011 period, including the amortization of debt discounts and debt origination costs associated with the new obligations.

Fair Value Adjustments of Derivative Instruments. Derivative instruments during the eight month period ended in 2011 consisted of embedded features contained within certain debt obligations and warrant contracts. Fair value adjustments of derivative instruments, which represent non-cash unrealized gains or losses, amounted to a net gain of $4.6 million for the eight month period in 2011 as compared to a net gain of $8.2 million for the eight month period in 2010. The share price of our common stock represents the primary underlying variable that impacts the value of the derivative instruments. The unrealized net gain recognized in the current period was primarily attributable to the decrease in our closing share price during the eight month ended December 31, 2011 ($2.58 at April 30, 2011 and $0.73 at December 31, 2011) that materially decreased the fair value of the derivative instrument liabilities during the current period.

Loss on Modification of Debt and Derivative Instruments. On August 31, 2011, we and our senior lender agreed to extend the maturity date of the Senior Convertible Notes from August 31, 2011 to October 31, 2011 in exchange for the issuance of 500,000 shares to the senior lender and a reset to the conversion exercise price under the Senior Convertible Notes from $9.80 to $3.31 per share, along with other modifications to the Senior Convertible Notes and the Consent Fee Term Note. We concluded that the modifications to the Senior Convertible Notes were substantial and represented an implied exchange of the existing convertible note instruments held by the senior lender with new convertible debt instruments. A net loss on extinguishment of $2.6 million was recognized in connection with the amendments, of which $1.6 million represented the fair value of the shares issued to the senior lender on the transaction date.

Gain on Settlement of Debt and Derivative Instruments. During the eight month period in 2011, we (i) repaid a total of $16.7 million of principal due under our debt obligations, of which $1.8 million was settled by the issuance of shares of our common stock, (ii) settled $1.1 million of derivative warrant obligations associated with the October 2006 Warrants by the issuance of shares of our common stock, and (iii) settled $0.1 million of derivative obligations associated with embedded features contained within the Senior Convertible Notes and Consent Fee Term Note in connection with principal repayments under the notes in cash. As a result of these in-kind settlements and related extinguishments, we recognized a combined net gain of $0.2 million, which consisted of a loss of $42,000 from principal payments associated with Term Note B, a gain of $184,000 related to the settlement of the derivative warrants and a gain of $78,000 related to the settlement of the derivative obligations associated with the Senior Convertible Notes and Consent Fee Term Note.

Equity in Earnings (Losses) of Affiliates. During the eight month periods in 2010 and 2011, we recognized losses of $0.3 million and $1.1 million, respectively, representing the net equity in earnings or losses of our affiliates that we account for under the equity method of accounting. The activity in both periods is primarily associated with our equity share of the operating results of Asola.

Our equity in net losses of Asola of $1.1 million for the eight month period in 2011 differs from our 24.9% share of the unaudited net loss of Asola that was reported for the eight month period in 2011 under German GAAP. The difference is due to adjustments to equity in net loss related to differences between German GAAP and US GAAP. Such differences are adjusted for in calculating our equity in loss under US GAAP for the eight month period ended December 31, 2011 as follows:

	Eight Months ended December 31, 2011	
	Euros	**US Dollars**
Net loss of Asola reported under German GAAP	(4,591,358)	$(6,371,008)
Adjust loss in accordance with US GAAP:		
Foreign currency contracts	1,473,112	$ 2,086,851
Other	(66,888)	$ (97,466)
Net loss of Asola reported under US GAAP	(3,185,134)	$(4,381,623)
Quantum's share of net loss at 24.9%	(793,000)	$(1,091,000)

Income Taxes. Our income tax expense is minor for the eight month periods in 2010 and 2011, primarily as a result of our lack of earnings history. As a result of our historical losses, we have generated significant net operating losses that we may be able to carry forward to offset taxable earnings that we generate in the future. We expect that income taxes will continue to be minor for calendar 2012.

Years Ended April 30, 2010 and 2011

Total revenues and operating loss for our business segments and gross profit (loss) on our product sales for the years ended April 30, 2010 and 2011 were as follows:

	Year Ended April 30,	
	2010	2011
Total Revenue		
Electric Drive & Fuel Systems	$ 9,590,085	$ 19,605,178
Renewable Energy	15,064	669,070
Corporate	—	—
Total	$ 9,605,149	$ 20,274,248
Operating Loss		
Electric Drive & Fuel Systems	$(10,910,416)	$ (5,689,421)
Renewable Energy	(76,904)	(2,873,876)
Corporate	(9,517,294)	(9,249,974)
Total	$(20,504,614)	$(17,813,271)
Product Gross Profit (Loss)		
Electric Drive & Fuel Systems:		
Net product sales	$ 1,437,467	$ 4,231,695
Cost of product sales	(1,559,546)	(3,592,623)
Product gross profit (loss)	$ (122,079)	$ 639,072
Renewable Energy:		
Net product sales	$ 12,992	$ 312,063
Cost of product sales	(13,834)	(100,203)
Product gross profit (loss)	$ (842)	$ 211,860

Electric Drive & Fuel Systems Segment

Overall segment revenues increased $10.0 million, from $9.6 million in the year ended April 30, 2010 to $19.6 million in the year ended April 30, 2011. The increase in revenue in the period ended 2011 was primarily related to increased activities related to the Fisker Karma development program and initial product shipments to Fisker Automotive.

Fisker Automotive comprised 46% and 56%, General Motors comprised 12% and 13%, and U.S. Army—TARDEC comprised 11% and 1%, of the total Electric Drive & Fuel Systems segment revenue reported for the years ended April 30, 2010 and 2011, respectively.

Product revenue for the Electric Drive & Fuel Systems segment increased $2.8 million, or 200%, from $1.4 million in the year ended April 30, 2010 to $4.2 million in the year ended April 30, 2011, due in part to the initial product shipments of our *Q-Drive* hybrid drive system for the Fisker Karma and increased shipments of high pressure fuel storage tanks for CNG applications.

Contract revenue for the Electric Drive & Fuel Systems segment increased $7.2 million, or 88%, from $8.2 million in the year ended April 30, 2010, to $15.4 million in the year ended April 30, 2011. Contract revenue is derived primarily from system development and application engineering of our products under customer funded contracts.

Cost of product sales for the Electric Drive & Fuel Systems segment increased $2.0 million, or 125%, from $1.6 million in the year ended April 30, 2010, to $3.6 million in the year ended April 30, 2011, primarily as a result of increased product sales.

Gross profits on product sales for the year ended April 30, 2011 improved $0.7 million, from a negative $0.1 million in the year ended April 30, 2010, to a positive $0.6 million in the year ended April 30, 2011. The improved gross margins are primarily due to higher revenues realized in the period ended 2011 that absorbed a fixed level of manufacturing overhead costs.

Research and development expense associated with development contracts increased $5.1 million, or 76%, from $6.7 million in the year ended April 30, 2010, to $11.8 million in the year ended April 30, 2011, which was mainly due to higher development program and pre-production activities in the period ended 2011 related to the planned launch of the Fisker Karma.

Internally funded research and development expense for the Electric Drive & Fuel Systems segment decreased $1.0 million, or 15%, from $6.7 million in the year ended April 30, 2010, to $5.7 million in the year ended April 30, 2011. Our internally funded research effort includes hybrid control strategies and proprietary software designed to precisely control hybrid propulsion and vehicle performance and hydrogen storage, injection and regulation programs. The decrease in internally funded research and development in the period ended 2011 was mainly due to focusing our engineering resources on activities associated with the Fisker Karma program and other customer funded development contracts.

Selling, general and administrative expenses for the Electric Drive & Fuel Systems segment decreased $0.4 million, or 9%, from $4.6 million in the year ended April 30, 2010, to $4.2 million in the year ended April 30, 2011, due in part to lower facility costs.

Amortization and impairment of long-lived assets was $0.9 million in the year ended April 30, 2010 and zero in the year ended April 30, 2011. The amount recognized in the period ended 2010 related to a charge associated with the full impairment of our advances made to Advanced Lithium Power, Inc. (ALP), a former affiliate. In June 2010, certain secured creditors of ALP had a receiver appointed pursuant to the terms of a General Security Agreement and, as a result, ALP ceased operations. We recorded an impairment charge to write off the entire balance as of April 30, 2010 for the non-current advances provided to ALP that were associated with undelivered products and services still owed to us.

Operating loss for the Electric Drive & Fuel Systems segment improved $5.2 million, from a loss of $10.9 million in the year ended April 30, 2010, to a loss of $5.7 million in the year ended April 30, 2011, mainly as a result of higher revenues generated in the period ended 2011.

Renewable Energy Segment

Our results of operations included the activities of Schneider Power for the period of time subsequent to our acquisition of Schneider Power on April 16, 2010. Schneider Power recognized $0.3 million of revenue from energy sales related to its Providence Bay wind farm that was reported as part of net product revenues, $0.4 million of revenue from construction management contract services and $3.5 million of operating expenses during the year ended April 30, 2011. Included in operating costs in the period ended 2011 was a $1.0 million impairment charge due to the abandonment of the Spring Bay wind farm construction project in early calendar 2011, and $0.4 million of amortization expense relating to intangible assets associated with the renewable energy project portfolio identified in connection with the acquisition of Schneider Power.

Schneider Power's operating loss was $2.9 million for the period ended 2011, as compared to an operating loss of $0.1 million recognized in the prior year for the period from April 17, 2010 to April 30, 2010.

Corporate Segment

Corporate expenses decreased $0.3 million in the year ended April 30, 2011, from $9.5 million in the year ended April 30, 2010 to $9.2 million in the year ended April 30, 2011, due in part to significantly higher than usual levels of professional service fees incurred in the period ended 2010 in connection with our acquisition of Schneider Power and other administrative expenses. Corporate expenses as a percentage of total consolidated revenues decreased to 46% for the period ended 2011, as compared to 99% for the period ended 2010, primarily due to higher revenues and lower costs realized in the period ended 2011.

Non-Reporting Segment Results

Interest Expense. Interest expense, net of interest income, amounted to $3.4 million in the year ended April 30, 2011, as compared to $2.4 million recognized in the year ended April 30, 2010. Interest expense primarily related to debt instruments payable to our senior lender. The increase in expense during the period ended 2011 was primarily related to higher effective interest rates incurred associated with the investor bridge term loans that were issued in October 2010 and the amortization of debt origination costs associated with new and amended debt instruments in the period ended 2011.

Fair Value Adjustments of Derivative Instruments. Derivative instruments at April 30, 2011, consisted of certain warrant contracts referred to in our financial statements as the October 2006 Warrants, the June 2007 Warrants, the August 2008 Warrants, the August 2009 Warrants, the September 2009 Warrants, and the "B" warrants issued on February 18, 2011. There was also derivative instruments associated with the embedded conversion features under the bridge notes modified in January 2011 that expired upon the maturity of the bridge notes on April 29, 2011 and a derivative instrument associated with the senior lender's written put option under a $10.0 million lender commitment that was in effect during the year ended April 30, 2011 until the commitment was terminated in connection with the execution of a Forbearance Agreement and restructuring of debt with our senior lender that occurred on January 3, 2011. Fair value adjustments of derivative instruments, which represent non-cash unrealized gains or losses, amounted to a gain of $13.2 million in the period ended 2011, compared to a loss of $10.6 million in the period ended 2010. The unrealized gain recognized in the period ended 2011 was primarily attributable to the decrease in our share price over the course of the period ended 2011 ($14.00 at April 30, 2010 and $2.58 at April 30, 2011) that materially decreased the fair value of the derivative instrument liabilities during the period.

Loss on Modification of Debt and Derivative Instruments. We recognized losses on contractual modifications of our debt and derivative instruments issued to our senior lender amounting to $14.7 million in the year ended April 30, 2010 and $1.5 million in the year ended April 30, 2011. These contractual modifications, discussed further in Note 10 to the consolidated financial statements, were as follows:

- On July 10, 2009, we (i) modified the derivative feature embedded within Convertible Note I, (ii) replaced an existing term note (Term Note A) with a new convertible instrument (Convertible Note II), (iii) issued a new convertible instrument (Convertible Note III) in exchange for cash proceeds of $3.0 million, and (iv) modified Term Note B. These modifications and exchanges resulted in an immediate charge of $7.0 million in connection with the transactions.
- On August 3, 2009, we modified the $10.0 million lender commitment to establish a fixed conversion price should the lender exercise its written put option and elect to make the investment in the form of a convertible note. Prior to the modification, the convertible note conversion price was variable. The fixed conversion price modification resulted in an immediate charge of $2.6 million.
- On November 24, 2009, we recognized a total charge of $5.1 million as a result of a series of transactions with our senior lender that was accounted for as an implied exchange of debt instrument. The significant components of the charge were as follows: (i) $1.3 million resulting from amending the stated maturity dates on the Senior Convertible Notes from August 31, 2010 to March 31, 2011 (which immediately increased the fair values of these debt instruments over their existing carrying values by $1.3 million); (ii) $0.4 million from amending the expiration date of the $10.0 million lender commitment from August 31, 2010 to March 31, 2011; and (iii) $3.5 million from the issuance of a new debt instrument (which we refer to in our SEC filings and financial statements as the "Consent Fee

Term Note") to our senior lender in satisfaction of a fee we agreed to pay our senior lender in order to obtain the senior lender's consent, as required by our credit agreement, in connection with our acquisition of Schneider Power.

- On January 3, 2011, we and our senior lender executed a Forbearance Agreement and restructured certain of our debt instruments. In connection with the debt restructure, the Senior Convertible Notes were modified to extend the maturity dates from July 31, 2011 to August 31, 2011, and the fixed conversion price in each convertible note was reduced from $14.20 to $9.80; the $10 million lender commitment was terminated; the senior lender provided us with a new $5.0 million non-revolving line of credit; and we issued a warrant to the senior lender entitling it to purchase up to 277,777 shares of our common stock at a fixed exercise price of $9.00 per share. We concluded that the modifications to the convertible note debt instruments were substantial and represented an implied exchange of those debt instruments for new debt instruments. A net loss of $0.5 million on extinguishment of the convertible note debt instruments and the derivative instrument associated with the $10 million lender commitment was recognized in connection with the debt restructure.
- On January 18, 2011, we and each of the holders of the bridge notes that we issued in October 2010 (2010 Bridge Notes) entered into an agreement pursuant to which the principal and interest repayment terms and the maturity date of the 2010 Bridge Notes were amended and we issued warrants to the holders of the 2010 Bridge Notes entitling them to purchase up to 131,902 shares of our common stock at a fixed exercise price of $9.20. We concluded that the modifications to the 2010 Bridge Notes were substantial and represented an implied exchange of the existing 2010 Bridge Notes for new 2010 Bridge Notes. A net loss on extinguishment of $1.0 million was recognized as a result of the implied exchange.

Loss on Settlement of Debt and Derivative Instruments. During the years ended April 30, 2010 and 2011, we settled a total of $20.5 million and $5.8 million, respectively, of principal due under our debt obligations, and in the years ended April 30, 2010 and 2011, we also extinguished $10.5 million and $0.2 million, respectively, of derivative liabilities associated with certain of our debt obligations owed to the senior lender, by the issuance of shares of our common stock. As a result of these in-kind settlements and related extinguishments, we recognized a gain of $0.8 million in the period ended 2010 and a loss of $1.5 million in the period ended 2011. Included in the loss for the period ended 2011 was a charge of $1.6 million associated with the cancellation of $2.0 million of principal due under a non-revolving line of credit with the senior lender in exchange for the issuance of shares of our common stock and warrants in connection with a private placement offering in which the senior lender participated as an investor that closed on February 18, 2011.

Equity in Earnings of Affiliates. During the year ended April 30, 2011, we recognized losses of $0.3 million, representing the net equity in earnings (losses) of our affiliates that we account for under the equity method of accounting. The loss in the year ended April 30, 2011 is primarily associated with the operating results of Asola, of which we recognized a loss of $0.2 million (see table below) and the operating results of Shigan Quantum and PCD. In the year ended April 30, 2010, we recognized net earnings of $1.1 million, primarily representing our equity share in earnings of Asola.

Our equity in net losses of Asola of $0.2 million in the year ended April 30, 2011 differs from the 24.9% of $1.3 million in net income of Asola (unaudited) that was reported for the year ended April 30, 2011 under German GAAP. This difference was due to adjustments to equity in net earnings (losses) related to differences between German GAAP and US GAAP. Such differences were adjusted for in calculating our equity in losses under US GAAP for the period ended 2011 as follows:

	Euros	US Dollars
Net earnings of Asola reported under German GAAP for the twelve months ended April 30, 2011	€ 1,019,920	$ 1,285,538
Adjust earnings (losses) in accordance with US GAAP:		
Foreign currency derivative contracts	(1,525,380)	(2,137,452)
Other	(52,367)	(75,797)
Net losses of Asola reported under US GAAP for the twelve months ended April 30, 2011	(557,827)	(927,711)
Quantum's share of net losses at 24.9% for the twelve months ended April 30, 2011	(€138,899)	$ (231,000)

Our ownership in Fisker Automotive was also accounted for under the equity method from inception of the business through August 2010; however, we did not recognize any share of losses realized by Fisker Automotive through August 2010 as our net investment balance in the business at all times had been zero and we had no obligation to fund deficit balances of the business. Effective as of September 2010, we began accounting for our ownership share in Fisker Automotive under the cost method.

Income Taxes. In the year ended April 30, 2011, we recorded a net tax benefit of $0.2 million that primarily resulted from undistributed earnings of our investment in Asola associated with foreign currency translation effects. As a result of our historical losses, we have generated significant net operating losses that we can carry forward to offset taxable earnings that we generate in the future.

Years Ended April 30, 2009 and 2010

Total revenues and operating loss for our continuing business segments and gross loss on our product sales for the years ended April 30, 2009 and 2010 were as follows:

	Year Ended April 30,	
	2009	2010
Total Revenue		
Electric Drive & Fuel Systems	$ 23,257,720	$ 9,590,085
Renewable Energy	—	15,064
Corporate	—	—
Total	$ 23,257,720	$ 9,605,149
Operating Loss		
Electric Drive & Fuel Systems	$(14,398,443)	$(10,910,416)
Renewable Energy	—	(76,904)
Corporate	(10,718,785)	(9,517,294)
Total	$(25,117,228)	$(20,504,614)
Product Gross Loss		
Electric Drive & Fuel Systems:		
Net product sales	$ 975,098	$ 1,437,467
Cost of product sales	(2,288,237)	(1,559,546)
Product gross loss	$ (1,313,139)	$ (122,079)
Renewable Energy:		
Net product sales	$ —	$ 12,992
Cost of product sales	—	(13,834)
Product gross loss	$ —	$ (842)

Electric Drive & Fuel Systems Segment

Overall segment revenues decreased $13.7 million, from $23.3 million in the year ended April 30, 2009 to $9.6 million in the year ended April 30, 2010. The decrease in revenue in the period ended 2010 was primarily related to delays at Fisker Automotive related to the Fisker Karma development program.

Fisker Automotive comprised 59% and 46%, General Motors comprised 13% and 12%, and U.S. Army—TARDEC comprised 13% and 11%, of the total Fuel Systems segment revenue reported for the years ended April 30, 2009 and 2010, respectively.

Product revenue for the Fuel Systems segment increased $0.4 million, or 40%, from $1.0 million in the year ended April 30, 2009 to $1.4 million in the year ended April 30, 2010.

Contract revenue for the Electric Drive & Fuel Systems segment decreased $14.1 million, or 63%, from $22.3 million in the year ended April 30, 2009 to $8.2 million in the year ended April 30, 2010. Contract revenue is derived primarily from system development and application engineering of our products under funded Fisker Automotive contracts, OEM contracts, and other funded contract work with the U.S. military and other government agencies. We began the third phase of the Fisker Karma development program in April 2009, which included services related to system validation, certification and other pre-production development activities. The significant decline in contract revenue in the period ended 2010 compared to the period ended 2009 was primarily due to program delays at Fisker Automotive due to their funding restraints. In September 2009, Fisker Automotive announced that they had received a conditional commitment from the U.S. Department of Energy (DOE) for $528.0 million in low interest loans. However, the loan was not finalized and Fisker Automotive was unable to draw upon the loan until the spring of 2010. As a result, Fisker Automotive suspended much of its activities related to the Fisker Karma program including many of the activities covered under the phase three statement of work.

Cost of product sales for the Electric Drive & Fuel Systems segment decreased $0.7 million, or 30%, from $2.3 million in the year ended April 30, 2009 to $1.6 million in the year ended April 30, 2010. This improvement was mainly due to lower levels of obsolescence inventory reserves in the period ended 2010 as compared to the period ended 2009. During the period ended 2009, we recognized higher than usual charges for inventory reserves in connection with the deterioration of the automotive industry and reduced turnover of our inventory of automotive component parts.

Gross profits on product sales for the Electric Drive & Fuel Systems segment improved $1.2 million from a negative $1.3 million in the year ended April 30, 2009 to a negative $0.1 million in the year ended April 30, 2010. The negative gross margins were primarily due to unabsorbed manufacturing overhead costs.

Research and development expense associated with development contracts decreased $10.2 million, or 60%, from $16.9 million in the year ended April 30, 2009 to $6.7 million in the year ended April 30, 2010. The decrease was primarily related to decreased levels of design and engineering services performed in connection with the Fisker Automotive Karma program during the period ended 2010 as a result of the program delays at Fisker Automotive.

Internally funded research and development expense for the Electric Drive & Fuel Systems segment decreased $1.6 million, or 19%, from $8.3 million in the year ended April 30, 2009 to $6.7 million in the year ended April 30, 2010. Our internally funded research effort shifted away from hydrogen storage, injection and regulation programs in the period ended 2010 and was more focused on solid-state components, hybrid control strategies and proprietary software designed to precisely control hybrid propulsion and vehicle performance. The reduction in the period ended 2010 was primarily due to personnel related cost reductions implemented during the period ended 2010.

Selling, general and administrative expenses for the Electric Drive & Fuel Systems segment increased $1.4 million, from $3.2 million in the year ended April 30, 2009 to $4.6 million in the year ended April 30, 2010. The increase during the period ended 2010 primarily related to a $1.2 million non-recurring gain that was recognized in the period ended 2009 related to an insurance settlement associated with facility damages.

Amortization and impairment of long-lived assets in the year ended April 30, 2009 related to the strategic alliance agreement with General Motors in the amount of $7.0 million. On January 31, 2009, the remaining unamortized balance of the intangible asset was written off in connection with an impairment analysis performed due to the deterioration of the automobile industry. As a result of the impairment, there has been no amortization expense recognized in this segment since January 31, 2009. In the period ended 2010, we recognized a charge of $0.9 million associated with the full impairment of our advances made to ALP. In June 2010, certain secured creditors of ALP had a receiver appointed pursuant to the terms of a General Security Agreement between ALP and such secured creditors and as a result, ALP ceased operations. As a result, we recorded a charge to write off the entire balance of advances provided to ALP that were associated with undelivered products and services still owed to us.

Operating loss for the Electric Drive & Fuel Systems segment decreased $3.5 million, from $14.4 million in the year ended April 30, 2009 to $10.9 million in the year ended April 30, 2010. The decrease in operating loss was primarily due to the amortization and impairment of the remaining unamortized intangible asset associated with General Motors that was written off in the period ended 2009, which amounted to charges of $7.0 million incurred in the period ended 2009 and none in the period ended 2010. Excluding the effects of the amortization and impairment charges related to long-lived assets associated with General Motors in the period ended 2009 and ALP in the period ended 2010, the operating loss would have increased $2.6 million during the period ended 2010 which was attributable to the lower revenues generated in the period ended 2010.

Renewable Energy Segment

Our results of operations for the year ended April 30, 2010 included the activities of our wholly owned subsidiary, Schneider Power, for the period of time subsequent to our acquisition (April 17, 2010 through April 30, 2010). During that two week period, Schneider Power recognized $15 thousand of revenue from energy sales related to its Providence Bay Wind Farm and recognized operating expenses of $0.1 million.

Corporate Segment

Corporate expenses decreased $1.2 million in the year ended April 30, 2010 from $10.7 million in the year ended April 30, 2009 to $9.5 million in the year ended April 30, 2010. Corporate expenses as a percentage of total consolidated revenues increased to 99% in the period ended 2010 as compared to 46% in the period ended 2009, primarily due to lower revenues generated in the period ended 2010.

Non-Reporting Segment Results

Interest Expense. Interest expense, net of interest income, amounted to $2.4 million in the year ended April 30, 2010 as compared to $3.7 million recognized in the year ended April 30, 2009. Interest expense primarily related to debt instruments payable to our senior lender. The decline in expense during the period ended 2010 was primarily related to lower levels of outstanding debt.

Fair Value Adjustments of Derivative Instruments. Derivative instruments consisted of embedded features contained within our convertible notes, our Term Note B debt instrument, our Consent Fee Term Note, the written put option under the $10.0 million Lender Commitment, and warrant contracts referred to in our financial statements as the October 2006 Warrants, the June 2007 Warrants, the August 2008 Warrants, the August 2009 Warrants and the September 2009 Warrants. Fair value adjustments of derivative instruments, which represent non-cash unrealized gains or losses, amounted to a loss of $10.6 million in the year ended April 30, 2010, compared to a gain of $27.7 million in the year ended April 30, 2009. The share price of our common stock represents the primary underlying variable that impacts the value of the derivative instruments. Additional factors that impact the value of the derivative instruments include the volatility of our stock price, our credit rating, discount rates, and stated interest rates. The unrealized gain recognized in the period ended 2009 was primarily attributable to the significant decrease in our share price over the course of the period ended 2009 ($26.40 at April 30, 2008 and $14.40 at April 30, 2009) that materially decreased the fair value of the derivative instrument liabilities year over year. The unrealized loss recognized in the period ended 2010 resulted in part from higher volatility rates of our share price at the end of the period ended 2010 as compared to the end of the period ended 2009 that had the effect, all other factors being equal, of increasing the value of the derivative instrument liabilities, and in part to the timing of certain debt conversions and debt principal demands on behalf of the senior lender near the midpoint of the period ended 2010 when our share price was higher ($23.80 at October 31, 2009) than our share price at the end of the period ended 2010 ($14.00 at April 30, 2010) which negated a portion of the offsetting effects of a lower share price at the end of the period with respect to the fair value calculations.

Loss on Modification of Debt and Derivative Instruments. We recognized losses on contractual modifications of our debt and derivative instruments issued to our senior lender amounting to $23.8 million in the year ended April 30, 2009 and $14.7 million in the year ended April 30, 2010, respectively. These contractual modifications, discussed further in Note 10 to the consolidated financial statements, are as follows:

- On May 30, 2008, certain modifications to the embedded derivative feature contained within Term Note B immediately increased the fair value of the derivative instrument by $23.8 million.
- On July 10, 2009, the derivative features embedded within our existing and two new convertible note instruments issued on this date increased in fair value by $7.0 million as a result of certain modifications that included setting the fixed conversion price on the debt to $14.20 per share and pushing out the stated maturity dates on the outstanding balances.

- On August 3, 2009, we modified the $10.0 million Lender Commitment by fixing the conversion price under the convertible note structure available to the senior lender under its written put option that previously had been a price that would equal the market price on the date the senior lender exercised the put option. This modification to set a fixed conversion price of $14.20 per share prior to the exercise of the senior lender's put option resulted in an immediate charge of $2.6 million.
- On November 24, 2009, we recognized a combined charge of $5.1 million from the implied exchange of debt instruments in connection with obtaining our senior lender's consent of the proposed Schneider Power acquisition and for amendments to certain of the outstanding debt instruments with the senior lender. The significant components of the charge were as follows : (i) amended the stated maturity dates on our Senior Convertible Notes from August 31, 2010 to March 31, 2011 (which immediately increased the fair values of these debt instruments over their existing carrying values by $1.3 million); (ii) extended the expiration date of the $10.0 million Lender Commitment from August 31, 2010 to March 31, 2011 (which immediately increased the fair value of the senior lender's put option by $0.4 million); and (iii) issued a new debt instrument in satisfaction of a fee negotiated with our senior lender to obtain the senior lender's consent (the "Consent Fee Term Note"), as required by our credit facilities, in connection with the planned acquisition of Schneider Power that had a fair value of $3.5 million.

Loss on Settlement of Debt and Derivative Instruments. During the years ended April 30, 2009 and 2010 we settled a total of $10.2 million and $20.5 million of debt principal and extinguished $4.2 million and $10.5 million of derivative liabilities, respectively, associated with our debt instruments with the issuance of shares of our common stock. As a result of these settlements and related extinguishments, we recognized a net loss of $4.3 million in the period ended 2009 and a gain of $0.8 million in the period ended 2010 that are described in more detail below:

- During the period ended 2009, $10.2 million of principal was converted at the option of the holder under Convertible Note I on various dates throughout the period which we satisfied with the issuance of shares to the senior lender. The fair value of the embedded derivative instruments associated with the convertible note was reduced on a proportional basis to the amount of debt principal converted by the holder. For example, if 10% of the outstanding debt principal just prior to the conversion was converted, we reduced the fair value of the derivative instrument on the conversion date by 10%. In connection with shares issued to settle debt principal conversions during the period ended 2009, the derivative instrument associated with Convertible Note I was reduced by $4.2 million and a net loss on the settlement of the debt principal and derivative instruments of $4.3 million, which represented the difference between the fair value of shares issued ($18.7 million) and the settlement of the liabilities ($10.2 million of debt principal and $4.2 million of derivative instruments), was recognized.
- During the period ended 2009, $0.5 million of the derivative instrument liabilities associated with the October 2006 Warrants were extinguished in connection with the exercise of warrants to purchase shares of our common stock. The difference between the fair value of the shares issued of $0.4 million (net of the cash received upon exercise of the warrants) and the amount of derivative liabilities extinguished resulted in the recognition of a gain of $0.1 million on the settlement of these derivative warrant liabilities.
- During the period ended 2010, $6.9 million of principal was converted at the option of the holder under the Senior Convertible Notes ($0.51 million, $1.03 million and $1.37 million under Convertible Note I on September 23, 2009, October 13, 2009 and November 24, 2009, respectively; $2.72 million under Convertible Note II on November 24, 2009, and $1.23 million under Convertible Note III on November 24, 2009) which we satisfied with the issuance of common shares to the senior lender. In connection with shares issued to settle debt principal conversions during the period ended 2010, the derivative instruments associated with the Senior Convertible Notes were reduced by $6.9 million and a net gain on the settlement of the debt principal and derivative instruments of $1.4 million, which represented the difference between the fair value of shares issued ($12.4 million) and the settlement of the liabilities ($6.9 million of debt principal and $6.9 million of derivative instruments), was recognized.

- During the period ended 2010, $4.4 million of principal was repaid under Term Note B ($3.9 million on November 24, 2009 and $0.5 million on February 9, 2010) which we satisfied with the issuance of common shares to the senior lender. The fair value of the embedded derivative instrument associated with Term Note B was reduced on a proportional basis to the amount of debt principal settled in a manner consistent with the methodology used to extinguish derivative liabilities under the convertible notes. Accordingly, the derivative instrument associated with Term Note B was reduced by $3.6 million and a net loss on the settlement of the debt principal and derivative instrument of $0.1 million, which represented the difference between the fair value of shares issued ($8.1 million) and the settlement of the liabilities ($4.4 million of debt principal and $3.6 million of derivative instrument), was recognized.
- During the period ended 2010, $9.2 million of debt was repaid under Term Note A and Term Note C ($1.12 million under Term Note A on June 15, 2009; $3.75 million, $2.50 million and $1.80 million under Term Note C on May 1, 2009, October 1, 2009 and November 2, 2009, respectively) which we satisfied with the issuance of common shares to the senior lender. The shares had a combined fair value of $9.6 million on the settlement dates. The difference between the fair value of the shares issued and the reduction of the principal was recognized as a net loss on settlement of $0.4 million.
- During the period ended 2010, $1.6 million of the derivative instrument liabilities associated with the October 2006 Warrants were extinguished in connection with the exercise of warrants to purchase shares of our common stock. The fair value of the shares issued was also $1.6 million; therefore, there was no gain or loss on the settlement of these derivative warrant liabilities.

Equity in Earnings of Affiliates. During the year ended April 30, 2010, we recognized net earnings of $1.1 million representing our equity share in earnings of our affiliate, Asola, that we account for under the equity method. For the year ended April 30, 2009, we recognized a net loss of $0.7 million representing income of $0.1 million for our share of Asola's earnings and charges of $0.8 million for our share of ALP's losses. Our ownership in Fisker Automotive was also under the equity method of accounting during these respective periods; however, we did not recognize any losses realized by Fisker Automotive under the equity method as our net investment balance was zero and we had no obligation to fund deficit balances of the business. Our share of earnings or losses for the operating activities of PCD and Shigan Quantum, in which our equity interests were obtained in the period ended 2010, were not significant for the twelve month period ended April 30, 2010.

Other Income (Expense). We recorded other income of $2.0 million during the year ended April 30, 2009 in connection with a life insurance settlement payment. No significant other income or expense was recognized during the year ended April 30, 2010.

Income Taxes. Our income tax expense was minor for both of the periods ended 2009 and 2010 primarily as a result of our lack of earnings history. As a result of our historical losses, we have generated significant net operating losses that we can carry forward to offset taxable earnings that we generate in the future.

Liquidity and Capital Resources

Cash Flow Activities

During the eight month period ended December 31, 2011, cash used in operations improved by $1.0 million, from $10.5 million used in the eight month period ended December 31, 2010, to $9.5 million used in the eight month period ended December 31, 2011. The cumulative impact of net changes in operating assets and liabilities during the eight month period ended 2011 was net cash used of $4.2 million, of which $1.7 million related to an increase in accounts receivable and $1.3 million related to a decrease in accounts payable. Excluding the changes in operating assets and liabilities, the cash used in operations for the period ended 2011 was a net use of $5.3 million.

Net cash used in investing activities during the eight months ended December 31, 2011 was $1.1 million, as compared to net cash used of $1.4 million during the eight month period ended December 31, 2010. The amount in the period ended 2011 was used to acquire and develop property and equipment.

Net cash provided by financing activities during the eight months ended December 31, 2011 was $11.6 million, as compared to $9.7 million during the eight month period ended December 31, 2010. Cash provided during the period ended 2011 consisted principally of net proceeds of $17.8 million from offerings of our common stock and warrants, of which $8.8 million was associated with private placement offerings that closed in June and July of 2011 and $9.0 million associated with a registered underwritten public offering that closed on December 21, 2011. We also received $9.2 million in connection with borrowings under the issuance of certain new debt obligations, of which $1.4 million was associated with the May 2011 Bridge Notes, $1.1 million was associated with the August 2011 Bridge Notes, $3.2 million was associated with the Unsecured "A" Convertible Notes and $3.5 million was associated with the Unsecured "B" Convertible Notes. During the period ended 2011 we repaid $14.9 million of debt obligations in cash, of which $12.5 million related to the Senior Convertible Notes, $0.6 million related to the Consent Fee Term Note, $ 1.5 million related to the May 2011 Bridge Notes and $0.3 million related to other financing arrangements.

Capital Resources

From our inception we have funded our operations and strategic investments primarily with proceeds from public and private offerings of our common stock, offerings of debt securities, and borrowings with financial institutions and our current senior lender. Since May 1, 2008, we have completed the following capital transactions:

- On May 30, 2008, we received $7.5 million in proceeds from our senior lender under a term note that was set to mature on August 31, 2009 (Term Note C) and we initially secured a $10.0 million unconditional commitment (Lender Commitment) from an affiliate of our senior lender that allowed us to draw on the commitment at our option and also allowed the senior lender to fund the commitment at the senior lender's option under certain defined structures. As discussed further below, the Lender Commitment was terminated in connection with the January 3, 2011 debt restructure that we executed with the senior lender before either party exercised its option under the arrangement.
- On August 25, 2008, we completed a registered direct offering of common stock and warrants that yielded gross proceeds of $19.1 million. We issued 450,000 common shares in connection with the transaction. The net amount received by us from the transaction, after deducting placement agent fees and offering expenses, was $17.7 million. We allocated $7.3 million of the net amount received from the transaction to the warrants that are classified as derivative instruments.
- On July 10, 2009, we and our senior lender agreed to a series of modifications to our credit facilities and incremental borrowings. In connection with the modifications, the amount of outstanding principal and unpaid interest on a term note (Term Note A) of $6.6 million was replaced with a new convertible note in that amount issued to the senior lender (Convertible Note II) and we received an additional $3.0 million in proceeds in exchange for a new convertible note issued to the senior lender (Convertible Note III).
- On September 4, 2009, we completed a private placement offering of common stock and warrants that raised cumulative gross proceeds of $12.3 million from the sale of shares of our common stock. We issued 1,005,909 common shares in connection with the transaction. The net amount received by us, after deducting placement agent fees and offering expenses, was $10.8 million.
- On various dates from April 30, 2010 through July 26, 2010, we raised cumulative gross proceeds of $10.9 million in connection with a private placement offering of common stock and warrants. We issued 986,452 common shares in connection with the transactions. The net amount received by us, after deducting placement agent fees and offering expenses, was $9.3 million.

- On October 13, 2010 and October 19, 2010, we raised cumulative gross proceeds of $4.0 million from the private placement sale of the 2010 Bridge Notes and warrants to certain accredited investors. The net amount received by us, after deducting placement agent fees and transaction expenses, was $3.4 million. On December 31, 2010, a payment default occurred as we were unable to repay the principal and interest on the December 31, 2010 maturity date. The payment default in the 2010 Bridge Notes caused contractual defaults on all of our debt obligations with our senior lender (which were all cured upon the final payoff of the 2010 Bridge Notes on April 29, 2011).
- On January 3, 2011, we and our senior lender entered into a series of transactions which restructured certain of our debt instruments, terminated the Lender Commitment, and provided us with a new $5.0 million non-revolving line of credit (LOC). On January 10, 2011, we received proceeds of $2.5 million under the LOC.
- On January 18, 2011, we and each of the holders of the 2010 Bridge Notes agreed to amend the scheduled principal repayment dates and revised the maturity date of the 2010 Bridge Notes to April 29, 2011.
- On February 18, 2011, we completed a private placement of common stock and warrants pursuant to which we raised cumulative gross proceeds of $5.7 million. The net amount received by us, after deducting placement agent fees and offering expenses, was $5.1 million. We issued 1,518,737 common shares in connection with the transaction. Our senior lender participated in the private placement as an investor and subscribed for $2.0 million of common stock units. The senior lender paid the subscription price by the cancellation of $2.0 million of the outstanding borrowings under the LOC. In connection with the closing of the private placement, the remaining unused $2.5 million under the LOC was terminated.
- On May 9, 2011 and May 20, 2011, we received gross proceeds of $1.5 million from the sale of 15.0% senior subordinated bridge notes (May 2011 Bridge Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $1.4 million.
- During May 2011 and June 2011, we issued 399,416 shares of our common stock to our senior lender in satisfaction of $1.8 million of principal demands made by our senior lender under a debt obligation we refer to as Term Note B.
- During the period of June 15, 2011 through July 6, 2011, we received gross proceeds of $10.0 million from the sale of common stock and warrants to accredited investors in a private placement transaction. We issued 3,204,475 common shares in connection with the transaction. The net amount received by us, after deducting placement agent fees and offering expenses, was approximately $8.8 million.
- On August 23, 2011, we received gross proceeds of $1.15 million from the sale of 15.0% senior subordinated bridge notes (August 2011 Bridge Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $1.05 million.
- On August 31, 2011, we issued 500,000 shares of our common stock to our senior lender in consideration for the senior lender's agreement to, among other things, amend the repayment terms and maturity date of three convertible notes held by our senior lender that had a combined outstanding principal and accrued interest balance of $12.7 million (the Senior Convertible Notes) and were scheduled to mature on August 31, 2011.
- On September 29, 2011 and October 12, 2011, we received gross proceeds of approximately $3.8 million from the sale of 10% unsecured convertible promissory notes (the Unsecured "A" Convertible Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $3.2 million.
- During the period of October 17, 2011 through November 15, 2011, we received gross proceeds of $3.95 million from the sale of 10% unsecured convertible promissory notes (the Unsecured "B"

Convertible Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $3.5 million.

- On November 2, 2011, we paid our senior lender a fee of $0.2 million and issued a warrant to purchase up to 540,000 shares of our common stock in consideration for our senior lender's agreement to further amend the maturity dates under the Senior Convertible Notes. All outstanding obligations under the Senior Convertible Notes were repaid in cash on December 21, 2011.
- On December 21, 2011, we completed an underwritten public offering transaction (the "December 2011 Offering") in which we received gross proceeds of $10.0 million from the sale and issuance of 10,526,315 shares of common stock. The investors also received warrants in connection with the transaction. The net amount received by us, after deducting underwriter discounts and transaction expenses, was $9.0 million.
- On January 19, 2012, we received net proceeds of $0.2 million and issued 221,250 shares of common stock in connection with an over-allotment provision under the December 21, 2011 public offering transaction. The investors also received warrants in connection with the transaction.
- On February 10, 2012 and March 7, 2012, we issued 735,000 and 630,000 shares of our common stock, respectively, to our senior lender in satisfaction of $1.3 million of principal demands made by our senior lender under a debt obligation we refer to as the Consent Fee Term Note.
- On March 20, 2012 and March 21, 2012, we completed an underwritten public offering transaction in which we received total gross proceeds of $14.6 million from the sale and issuance of 17,200,000 shares of common stock to investors. The investors also received warrants in connection with the transaction. On March 21, 2012 and March 23, 2012, the underwriters also exercised part of their option associated with an over-allotment provision of the offering in which we issued an additional 1,625,000 shares of common stock and issued additional warrants in exchange for gross proceeds of $1.4 million. After factoring in applicable underwriter discounts and transaction costs, we expect the net proceeds from the March 2012 closings to be approximately $14.4 million.

Liquidity

Our historical operating results, capital resources and financial position, in combination with current projections and estimates, were considered in management's plan and intentions to fund our operations over a reasonable period of time which we define as the twelve month period ending December 31, 2012. For purposes of liquidity disclosures, we assess the likelihood that we have sufficient available working capital and other principal sources of liquidity to fund our operating activities and obligations as they become due and the likelihood that we will be able to maintain compliance with the required provisions contained within our debt instruments over the twelve month period. We have historically incurred operating losses and negative cash flows from operating activities. Although we expect to use a significant amount of cash in our operations over the next year for our operating activities and debt service, our current operating plan anticipates increased revenues and improved profit margins for the twelve month period, which we expect will reduce the levels of cash required for our operating activities as compared to historical levels of use.

Our principal source of liquidity as of March 23, 2012, after factoring in the proceeds from the completion of the underwritten public offerings and repayment of $3.9 million of debt obligations that matured on March 20, 2012, consisted of cash and cash equivalents of $11.5 million.

Based on current projections and estimates, we do not believe our principal source of liquidity will be sufficient to fund our operating activities and obligations as they become due over the next twelve months. In order for us to have sufficient capital, we will need to restructure our existing debt obligations and/or otherwise raise additional capital to be able to fund our operations and execute our business plan over this period. Although we have been successful in the past in restructuring our debt obligations and raising debt and equity capital, we cannot provide any assurance that we will be successful in doing so in the future to the extent necessary to be able to fund all of our business plans, operating activities and obligations through December 31, 2012. This need to restructure our debt obligations or otherwise raise additional capital in the coming months, combined with our recurring negative cash flows and other conditions, raises substantial doubt about our ability to continue as a going concern.

As of March 23, 2012, we had $6.3 million of outstanding debt obligations, consisting of (i) $1.1 million due under a promissory note we refer to as the Consent Fee Term Note that is payable on demand, (ii) $1.1 million related to a bank term loan that matures on April 3, 2012, (iii) $4.0 million due under the Unsecured "B" Convertible Notes that mature from October 17 through November 15, 2012, and (iv) $0.1 million due under other financing arrangements. We have received a non-binding commitment letter from the lender of the bank term loan that is set to mature on April 3, 2012 that, if completed, would extend the maturity date of that loan until April 2017.

The consolidated financial statements that are included in this report have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to our ability to continue as a going concern. An inability by us to restructure our debt obligations and/or otherwise raise additional capital to sufficiently fund our working capital needs and repay our debt obligations as they mature would have a material adverse affect on our business and our ability to continue as a going concern.

In addition to our need to refinance, restructure and/or otherwise raise sufficient capital to cover our existing operations and debt service obligations, we will also need to raise additional capital in order to acquire or complete the build out of our planned wind and solar development projects and to further develop future generations of our hybrid electric propulsion systems. Further, we will need to increase revenues and improve profit margins for our business to be sustainable over the long term.

Contractual Obligations

The following table contains supplemental information regarding total contractual obligations as of December 31, 2011 (see Notes 6, 8, 10 and 19 of the Notes to Consolidated Financial Statements).

	Payments due by Period				
Contractual Obligations	**Total**	**Less Than One Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Operating lease obligations	$ 8,112,664	$ 2,152,258	$ 4,499,034	$ 1,461,372	$ —
Debt obligations—scheduled principal	12,527,397	12,489,237	30,006	8,154	—
Debt obligations—scheduled interest	851,246	846,746	4,000	500	—
Employment agreements(1)	5,642,945	5,308,835	334,110	—	—
Purchase obligations(2)	146,813,000	58,066,000	36,979,000	34,905,000	16,863,000
Facility exit obligations(3)	2,906,791	823,770	1,712,268	370,753	—
Total	$173,947,252	$78,863,076	$41,846,150	$36,375,026	$16,863,000

(1) Includes agreements in place as of January 1, 2012 and consists of the estimated minimum contractual obligations under the arrangements assuming a termination of employment without cause initiated by the Company and benefit continuation assuming a cost to the Company of 15% of base salaries. All agreements remain in place until terminated by either of the parties. For further information about the specific terms of the employment agreements with executive officers, see the text of the employment agreements, the filing dates of which are referenced as exhibits to this report.

(2) Consists of our unconditional obligations to purchase solar cells from Asola and to provide our share of prepayments to Asola associated with a solar cell purchase arrangement (see *Off Balance Sheet Disclosures* below).
(3) Consists of our remaining obligations under a facility operating lease in Lake Forest, California, that we subleased to an unrelated third party and which we no longer realize any economic benefit.

Royalties. Our ten year strategic alliance agreement with General Motors, which was comprised of several agreements and arrangements, ended in July 2011. Although the term of the alliance has expired, certain provisions under these agreements, subject to conditions and the alliance arrangement, provide future revenue sharing arrangements to General Motors for products sold using certain technologies developed under the alliance. Potential revenue sharing payments could equal 5% of applicable gross revenue through July 23, 2015, 4% for the ten-year period ending July 23, 2025, 3% for the ten-year period ending July 23, 2035, and 2% for the ten-year period ending July 23, 2045. The agreements also contemplate a final revenue sharing payment to General Motors equal to the present value of future revenue sharing payments that would otherwise be payable to General Motors on an annual basis assuming an income stream to General Motors of 2% of our gross revenues in perpetuity. No royalty expense was incurred under the arrangement for any of the periods presented in the accompanying financial statements.

Quantitative and Qualitative Disclosures About Market Risk

As of December 31, 2011, we are exposed to market risk from changes in our common stock pursuant to the terms of our derivative instrument liabilities associated with embedded features contained within certain of our debt instruments and warrant contracts. The share price of our common stock represents the underlying variable that primarily gives rise to the value of our derivative instruments. In accordance with US GAAP, the derivative instrument liabilities are recorded at fair value and marked to market each period. Changes in fair value of the derivatives each period resulting from a movement in the share price of our common stock or the passage of time are recognized as fair value adjustments of derivative instruments on our consolidated statements of operations as other income or expense. The change in fair values of our derivatives can have a material impact on our earnings or loss each period. For example, if our share price immediately increased 10% above the closing price of $0.73 per share on December 31, 2011, the fair value of our derivative instruments would increase and a charge in the amount of $0.2 million related to the increase in fair value of the derivatives would be recognized as follows:

Derivative Financial Instrument:	Fair Value Reported at December 31, 2011	Effect of 10% Pro forma Share Price Increase	Pro forma Fair Value
Warrant contracts issued in October 2006	$ 882,000	$101,000	$ 983,000
Warrant contracts issued in August 2008	18,000	5,000	23,000
Warrant "B" contracts issued in February 2011	53,000	10,000	63,000
Warrant contracts issued on September 29, 2011	269,000	29,000	298,000
Warrant contracts issued on October 12, 2011	274,000	31,000	305,000
	$1,496,000	$176,000	$1,672,000

We are also exposed to risk from fluctuating currency exchange rates, primarily the US Dollar against the Euro Dollar and against the Canadian Dollar. On December 31, 2011, one euro was equal to 1.30 US Dollars and one Canadian dollar was equal to 0.98 US Dollars. Specifically, we are at risk that a future decline in the US Dollar against the euro will increase the amount that we will have to pay to satisfy requirements of our long-term supply agreement with Asola and other obligations that we enter into with European-based suppliers. We have a remaining commitment to purchase solar cells with a cumulative power of 77.5 MW and make prepayments through December 31, 2017 at a fixed price of 113.3 million euro, or US$146.8 million, based on the currency exchange rate at December 31, 2011; a 10% decline in the US Dollar against the euro could require us to pay an additional US$14.7 million over the course of the remaining agreement. We face transactional currency exposures that arise when our foreign subsidiaries and affiliates enter into transactions denominated in currencies other than their own local currency. We also face currency exposure that arises from translating the results of our Canadian and German operations to the US Dollar.

We are not exposed to market risk from changes in interest rates due to the fixed nature of interest rates associated with our debt instruments.

To date, we have not used any derivative financial instruments for the purpose of reducing our exposure to adverse fluctuations in interest rates but we have entered into currency exchange arrangements for the purpose of reducing our exposure to adverse changes in currency exchange rates. As of December 31, 2011, we had no outstanding contractual commitments to purchase foreign currency. Net foreign currency transaction gains or losses were not significant during the eight months ended December 31, 2011.

Off Balance Sheet Disclosures

Warrants with Exercise Price Resets

The October 2006 Warrants, the August 2008 Warrants, and the warrants issued on September 29, 2011 and October 12, 2011, contain contractual provisions which, subject to certain exceptions, reset the exercise price of such warrants if at any time while such warrants are outstanding, we sell or issue shares of our common stock or rights, warrants, options or other securities or debt convertible, exercisable or exchangeable for shares of our common stock. Since the initial issuance of these warrants, we have completed capital raising transactions through December 31, 2011 that resulted in the reset of the exercise price of the October 2006 Warrants to $0.95, the August 2008 Warrants to $38.60, and the warrants issued on September 29, 2011 to $0.95 per share, respectively. As of December 31, 2011, the August 2008 Warrants had been reset to the lowest price allowable under the terms of the August 2008 Warrant so the reset provision is no longer applicable.

The October 2006 Warrants and August 2008 Warrants also contain a provision that increases the number of shares of common stock subject to such warrants if and when the exercise price is reset so that the aggregate purchase price payable applicable to the exercise of the warrants after the reset of the exercise price is the same as the aggregate purchase price payable immediately prior to the reset. As a result of the exercise price resets, the remaining number of shares subject to the October 2006 Warrants and August 2008 Warrants increased to 2,978,372 and 1,398,964, respectively, as of December 31, 2011. Any resets to the exercise price of the October 2006 Warrants in the future will have an additional dilutive effect on our existing shareholders.

Warrant Classifications

We evaluate the warrants we issue in accordance with applicable accounting guidance and we have concluded that liability classification is appropriate for the October 2006 Warrants, the June 2007 Warrants, the August 2008 Warrants, August 2009 Warrants, the September 2009 Warrants, the "B" warrants issued in February 2011, and the warrants issued on September 29, 2011, and October 12, 2011. We have further concluded that equity classification is appropriate for all other warrants that were outstanding during the periods presented due to the fact that these warrants are considered to be indexed to our own stock, are required to be physically settled in shares of our common stock and there are no provisions that could require net-cash settlement.

The proceeds we received from the transactions that gave rise to the issuance of the warrants have been allocated to the common stock or debt issued, as applicable, and the warrants based on their relative fair values. For those transactions in which proceeds were received in connection with the sale of common stock, we aggregate the values of those warrants that we do not classify as liabilities with the fair value of the stock issued as both of these types of instruments have been classified as permanent equity.

The classification as equity for certain of the warrants could change as a result of either future modifications to the existing terms of settlement or the issuance of new financial instruments by us that could be converted into an increased or unlimited number of shares. If a change in classification of certain warrants is required in the future, the warrants would be treated as derivatives, reclassified as liabilities on the balance sheet at their fair value, and marked to market each period, with the changes in fair values being recognized in the respective period's statement of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by Item 305 of Regulation S-K relating to quantitative and qualitative disclosures about market risks appear under the heading "Quantitative and Qualitative Disclosures About Market Risk" in Item 7 of Part II hereof, and is incorporated herein by this reference.

Item 8. Financial Statements and Supplementary Data.

The information required by this item is contained in the consolidated financial statements listed in Item 15(a) of this Transition Report under the caption "Financial Statements" and appear beginning on page F-1 of this Transition Report.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to our company, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of December 31, 2011, the Chief Executive Officer and Chief Financial Officer of our company have concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

Our internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;
- Provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles;
- Provide reasonable assurances that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principals. 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 management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011, based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The scope of our assessment of and conclusion on the effectiveness of our internal controls over financial reporting included the internal controls of Schneider Power.

Based on our evaluation under the framework in *Internal Control–Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2011.

Independent Registered Public Accounting Firm's Evaluation of Internal Controls as of December 31, 2011

Haskell & White LLP, our independent registered public accounting firm, audited the effectiveness of our internal controls over financial reporting and, based on that audit, issued their report that is included in Part II, Item 8 herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last two months of our eight month Transition Period ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors, Executive Officer and Corporate Governance.

Information regarding our board of directors, audit committee, audit committee financial expert and code of ethics is set forth under the caption "Election of Directors," in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference. Information regarding Section 16(a) beneficial ownership compliance is set forth under the caption "Executive Compensation—Compliance with Section 16(a) of the Securities and Exchange Act" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated by reference. A list of our executive officers is included in Part I, Item 1 of this Report under the heading "Executive Officers."

We have adopted a Code of Business Conduct and Ethics that applies to each of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Business Conduct and Ethics is posted on our website at *www.qtww.com/code-of-ethics*.

Item 11. Executive Compensation.

The information required by this item is set forth under the captions "Executive Compensation and Other Information" and "Election of Directors—Compensation of Directors" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and director Independence.

The information required by this item is set forth under the captions "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item is set forth under the caption "Ratification and Approval of the Appointment of Independent Accountants" in our definitive Proxy Statement to be filed in connection with our 2012 Annual Meeting of Stockholders and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements. See Consolidated Financial Statements beginning on page F-1.

(2) Financial Statement Schedules. See Schedule II, Valuation and Qualifying Accounts that follow the Consolidated Financial Statements.

All other schedules are omitted because the information is not applicable or is not material, or because the information is included in the consolidated financial statements or the notes thereto.

(3) Exhibits. The following exhibits are filed or incorporated by reference as a part of this report:

3.1*	Amended and Restated Certificate of Incorporation of the Registrant, dated March 3, 2005, together with all amendments thereto.
3.2*	Amended and Restated Bylaws of the Registrant.
4.1	Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10 (File No. 000-49629), which was filed with the SEC on February 13, 2002).
4.2	Form of Warrant issued by the Registrant to certain accredited investors on May 9, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 11, 2011).
4.3	Form of Warrant issued by the Registrant to certain accredited investors on May 20, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 20, 2011).
4.4	Form of Warrant issued by the Registrant to certain accredited investors on June 15, 2011 and June 21, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2011).
4.5	Form of Retainer Warrant issued by the Registrant to its placement agent on June 15, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2011).
4.6	Form of Concession Warrant issued by the Registrant to its placement agent on June 15, 2011 and June 21, 2011 (incorporated herein by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2011).
4.7	Form of Warrant issued by the Registrant to certain accredited investors on July 6, 2011 (incorporated herein by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-3 filed with the SEC on August 12, 2011).
4.8	Form of Concession Warrant issued by the Registrant to its placement agent on July 6, 2011 (incorporated herein by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form S-3 filed with the SEC on August 12, 2011).
4.9	Form of Warrant issued by the Registrant to certain accredited investors on August 23, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on August 24, 2011).
4.10	Form of Convertible Promissory Note issued on September 29, 2011 and October 12, 2011 to certain accredited investors (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on October 5, 2011).

4.11	Form of Warrant issued by the Registrant to certain accredited investors on September 29, 2011 and October 12, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on October 5, 2011).
4.12	Form of Convertible Promissory Note issued to certain accredited investors during the period October 17, 2011 through October 21, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on October 21, 2011).
4.13	Form of Warrant issued by the Registrant to certain accredited investors during the period October 17, 2011 through October 21, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on October 21, 2011).
4.14	Form of Warrant issued to WB QT, LLC on November 2, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on November 3, 2011).
4.15	Form of Convertible Promissory Note issued to certain accredited investors on November 15, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on November 18, 2011).
4.16	Form of Warrant issued by the Registrant to certain accredited investors on November 15, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on November 18, 2011).
4.17	Form of Warrant Agreement, dated December 21, 2011, between the Company and Broadridge Corporate Issuer Solutions, Inc. (incorporated herein by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 16, 2011).
4.18	Form of "A" Warrant issued by the Registrant to certain accredited investors on February 18, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2011).
4.19	Form of "B" Warrant issued by the Registrant to certain accredited investors on February 18, 2011 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2011).
4.20	Form of Warrant issued by the Registrant to certain accredited investors on January 18, 2011 (incorporated herein by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2011).
4.21	Form of Warrant issued by the Registrant to WB QT, LLC on January 3, 2011 (incorporated herein by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2011).
4.22	Form of Warrant issued by the Registrant to certain accredited investors in connection with a private placement transaction that was completed in October 2010 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on October 19, 2010).
4.23	Form of Warrant issued by the Registrant to certain accredited investors in connection with a private placement transaction that was completed in July 2010 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on May 6, 2010).
4.24	Form of Concession Warrant, dated July 22, 2010, issued by the Registrant to its placement agent in connection with a private placement transaction that was completed in July 2010 (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on July 26, 2010).
4.25	Form of Retainer Warrant issued by the Registrant to its placement agent in connection with a private placement transaction that was completed in July 2010 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 6, 2010).

4.26	Form of Warrant issued to certain accredited investors on August 3, 2009 (incorporated herein by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on August 7, 2009).
4.27	Form of Warrant issued to certain accredited investors on September 4, 2009 (incorporated herein by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on September 11, 2009).
4.28	Form of Warrant issued by the Registrant to its placement agent for services performed in connection with a private placement (incorporated herein by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on September 11, 2009).
4.29	Form of Retainer Warrant issued by the Registrant to its placement agent for services performed in connection with a private placement (incorporated herein by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on September 11, 2009).
4.30	Warrant, dated August 19, 2008, issued by Registrant to Capital Ventures International in a registered offering (incorporated herein by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K/A filed with the SEC on August 21, 2008).
4.31	Form of "A" Warrant issued to certain accredited investors in a private placement transaction that as completed in June 2007 (incorporated herein by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the SEC on June 26, 2007).
4.32	Form of "B" Warrant issued to certain accredited investors in a private placement transaction completed in June 2007 (incorporated herein by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed with the SEC on June 26, 2007).
4.33	Form of "A" Warrant issued to certain accredited investors in a private placement transaction completed in October 2006 (incorporated herein by reference to Exhibit 4.1.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 27, 2006).
4.34	Consent Fee Promissory Note, dated November 24, 2009, issued by the Registrant to WB QT, LLC (incorporated herein by reference to Exhibit 10.2 of the Registrant's Amended Current Report on Form 8-K/A filed with the SEC on December 4, 2009).
10.1	Quantum Fuel Systems Technologies Worldwide, Inc. Amended 2002 Stock Incentive Plan and Form of Award Agreement (incorporated herein by reference to Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q filed with the SEC on September 9, 2005).
10.2	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated herein by reference to Exhibit 10.21 of the Registrant's Registration Statement on Form S-1 (File No. 333-101668) filed with the SEC on December 5, 2002).
10.3	Amended and Restated Employment Agreement, dated May 1, 2006, by and between Registrant and Alan P. Niedzwiecki (incorporated herein by reference to Exhibit 10.22(a) of the Registrant's Annual Report on Form 10-K filed with the SEC on July 28, 2006).
10.4	Employment Agreement, dated January 10, 2006, between the Registrant and W. Brian Olson (incorporated herein by reference to Exhibit 10.23(a) of the Registrant's Annual Report on Form 10-K filed with the SEC on July 28, 2006).
10.5	Employment Agreement, dated May 1, 2006, by and between the Registrant and Dale L. Rasmussen (incorporated herein by reference to Exhibit 10.25(a) of the Registrant's Annual Report on Form 10-K filed with the SEC on July 28, 2006).
10.6	Employment Agreement, effective May 1, 2006, by and between the Registrant and Bradley J. Timon (incorporated herein by reference to Exhibit 10.62 of the Registrant's Annual Report on Form 10-K for the fiscal year ended April 30, 2006 filed with the SEC on July 28, 2006).

10.7	Employment Agreement, dated July 12, 2005, by and between the Registrant and Kenneth R. Lombardo (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 18, 2005).
10.8	Form of Restricted Stock Award Agreement under the Quantum Fuel Systems Technologies Worldwide, Inc. 2002 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K that was filed with the SEC on May 5, 2005).
10.9	Credit Agreement dated January 31, 2007 (incorporated herein by reference to Exhibit 99 of the Registrant's Current Report on Form 8-K filed with the SEC on February 6, 2007).
10.10	Guaranty dated January 31, 2007 (incorporated herein by reference to Exhibit 10.6 of the Registrant's Quarterly Report of Form 10-Q filed with the SEC on March 12, 2007).
10.11	Security Agreement dated January 31, 2007 (incorporated herein by reference to Exhibit 10.7 of the Registrant's Quarterly Report of Form 10-Q filed with the SEC on March 12, 2007).
10.12	Pledge Agreement dated January 31, 2007 (incorporated herein by reference to Exhibit 10.8 of the Registrant's Quarterly Report of Form 10-Q filed with the SEC on March 12, 2007).
10.13	First Amendment to Credit Agreement, dated September 13, 2007 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on December 17, 2007).
10.14	Second Amendment to Convertible Note Purchase Agreement, dated November 6, 2007 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 11, 2008).
10.15	Convertible Note Purchase Agreement, dated January 16, 2008, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed with the SEC on January 17, 2008).
10.16	Agreement, dated January 4, 2008, between the Registrant and asola Advanced and Automotive Solar Systems GmbH (incorporated herein by reference to Exhibit 10.7 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 11, 2008).
10.17	Second Amendment to Credit Agreement, dated November 6, 2007 (incorporated herein by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 11, 2008).
10.18	First Amendment to Pledge Agreement, dated November 6, 2007 (incorporated herein by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 11, 2008).
10.19	First Amendment to Security Agreement, dated November 6, 2007 (incorporated herein by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 11, 2008).
10.20	Purchase of Contract Rights Agreement, dated November 7, 2007, between the Registrant and asola Advanced and Automotive Solar Systems GmbH (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 13, 2007).
10.21	Third Amendment to Credit Agreement, dated January 16, 2008, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 99.5 of the Registrant's Current Report on Form 8-K filed with the SEC on January 17, 2008).
10.22	Security Agreement, dated January 16, 2008, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 99.7 of the Registrant's Current Report on Form 8-K filed with the SEC on January 17, 2008).

10.23	Second Amendment to Security Agreement, dated January 16, 2008, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.14 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 11, 2008).
10.24	Lease Agreement, dated December 11, 2007, between the Registrant and Braden Court Associates (incorporated herein by reference to the Registrant's Current Report on Form 8-K filed with SEC on December 17, 2007).
10.25	Fourth Amendment to Credit Agreement, dated May 30, 2008, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2008).
10.26	Promissory Note, dated September 26, 2008, issued by asola Advanced and Automotive Solar Systems GmbH to Registrant (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 2, 2008).
10.27	Lease Agreement, with an effective date of November 1, 2008, between the Registrant and Cartwright Real Estate Holdings, LLC (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 17, 2008).
10.28	Fifth Amendment to Credit Agreement, dated March 12, 2009, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on March 12, 2009).
10.29	Lease Agreement, with an effective date of April 1, 2009, between the Registrant and Braden Court Associates (incorporated herein by reference to Exhibit 10.13 of the Registrant's Annual Report on Form 10-K filed with the SEC on January 26, 2010).
10.30	First Lease Amendment, with an effective date of April 1, 2009, between the Registrant and Braden Court Associates (incorporated herein by reference to Exhibit 10.14 of the Registrant's Annual Report on Form 10-K filed with the SEC on January 26, 2010).
10.31	Sixth Amendment to Credit Agreement (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 28, 2009).
10.32	Seventh Amendment to Credit Agreement (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 14, 2009).
10.33	Agreement and Consent Dated November 24, 2009 (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on November 27, 2009).
10.34	Eighth Amendment to Credit Agreement (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 4, 2010).
10.35	Amendment to Convertible Note Purchase Agreement (incorporated herein by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on May 4, 2010).
10.36	Form of Subscription Agreement (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on May 6, 2010).
10.37	Financial Representative Agreement, dated March 16, 2010, between Registrant and J.P. Turner & Co., L.L.C. (incorporated herein by reference to Exhibit 10.31 of the Registrant's Annual Report on Form 10-K filed on July 13, 2010.
10.38	Agreement, dated July 8, 2010, between Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.32 of the Registrant's Annual Report on Form 10-K filed on July 13, 2010).
10.39	Subscription Agreement, dated July 26, 2010, between the Registrant and Osler, Hoskin & Harcourt LLP (incorporated herein by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q filed on September 9, 2010).

10.40 Subscription Agreement, dated July 26, 2010, between the Registrant and Blue Ridge Consulting LLC (incorporated herein by reference to Exhibit 10.7 of the Registrant's Quarterly Report on Form 10-Q filed on September 9, 2010).

10.41 Form of Subscription Agreement between the Registrant and certain accredited investors in connection with a private placement transaction that was completed in July 2010 (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on May 6, 2010).

10.42 Form of Note and Warrant Purchase Agreement between the Registrant and certain accredited investors in connection with a private placement transaction that was completed in October 2010 (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 19, 2010).

10.43 Form of Note issued by the Registrant to certain accredited investors in connection with a private placement transaction that was completed in October 2010 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on October 19, 2010).

10.44† Amended and Restated Supply Agreement, dated November 8, 2010, between the Registrant and Fisker Automotive, Inc. (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 11, 2010).

10.45 Fisker Automotive's General Terms and Conditions of Sale (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on November 11, 2010).

10.46 Ninth Amendment to Credit Agreement dated January 3, 2011 (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2011).

10.47 Non-Revolving Line of Credit Promissory Note dated January 3, 2011 (incorporated herein by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2011).

10.48 Forbearance Agreement, dated January 3, 2011, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2011).

10.49 Amendment to Convertible Notes Agreement, dated January 3, 2011, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2011).

10.50 Form of Amendment to Bridge Note Agreement, dated January 18, 2011, between the Registrant and each of the holders of promissory notes dated October 13, 2010 and October 19, 2010 (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the SEC on January 21, 2011)

10.51† Agreement in Support of Development, dated February 14, 2011, between the Registrant and General Motors Holdings LLC (incorporated herein by reference to Exhibit 10.63 of Registrant's Registration of Securities on Form S-1 filed with the SEC on March 4, 2011).

10.52 Access and Security Agreement, dated February 14, 2011, between the Registrant and General Motors Holdings LLC (incorporated herein by reference to Exhibit 10.64 of Registrant's Registration of Securities on Form S-1 filed with the SEC on March 4, 2011).

10.53 Form of Securities Purchase Agreement, dated February 16, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2011).

10.54 Form of Registration Rights Agreement, dated February 16, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2011).

10.55 Agreement, dated February 16, 2011, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.67 of the Registrant's Registration of Securities on Form S-1 filed with the SEC on March 4, 2011).

10.56 Settlement Agreement with Mutual Releases, dated March 10, 2011 (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the SEC on March 16, 2011).

10.57 Sublease Agreement between the Registrant and On The Edge Marketing dated June 29, 2011 (incorporated herein by reference to Exhibit 10.66 of the Registrant's Annual Report on Form 10-K filed with the SEC on July 5, 2011).

10.58 Form of Bridge Note and Warrant Purchase Agreement, dated May 9, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on May 11, 2011).

10.59 Form of Promissory Note issued on May 9, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on May 11, 2011).

10.60 Form of Bridge Note and Warrant Purchase Agreement, dated May 20, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on May 20, 2011).

10.61 Form of Promissory Note issued on May 20, 2011 (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on May 20, 2011).

10.62 Form of Subscription Agreement, dated June 14, 2011 and June 21, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2011).

10.63 Form of Registration Rights Agreement, dated June 15, 2011 and June 21, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2011).

10.64 Form of Subscription Agreement, dated July 1, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.8 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on September 14, 2011).

10.65 Form of Registration Rights Agreement, dated July 6, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 4.4 of Registrant's Registration Statement on Form S-3 filed with the SEC on August 12, 2011).

10.66 Form of Bridge Note and Warrant Purchase Agreement, dated August 23, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on August 24, 2011).

10.67 Form of Promissory Note issued by Registrant on August 23, 2011 to certain accredited investors (incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on August 24, 2011).

10.68 Agreement and Amendment, dated August 31, 2011, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 1, 2011).

10.69 Purchase and Sale Agreement, dated August 24, 2011, between Schneider Power Inc. and Green Breeze Energy Inc. (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 9, 2011).

10.70	Form of Subscription Agreement, dated September 29, 2011 and October 12, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 5, 2011).
10.71	Form of Registration Rights Agreement, dated September 29, 2011 and October 12, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the SEC on October 5, 2011).
10.72	Form of Subscription Agreement between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 21, 2011).
10.73	Quantum Fuel Systems Technologies Worldwide, Inc. 2011 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the SEC on October 31, 2011).
10.74	Agreement and Amendment, dated November 2, 2011, between the Registrant and WB QT, LLC (incorporated herein by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the SEC on November 3, 2011).
10.75	Form of Subscription Agreement, dated November 15, 2011, between the Registrant and certain accredited investors (incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 18, 2011).
10.76	Agreement, dated November 29, 2011, between Schneider Power Inc. and Green Breeze Energy Inc. (incorporated herein by reference to Exhibit 10.11 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on December 9, 2011).
21.1	Subsidiaries of the Registrant (incorporated herein by reference to Exhibit 21.1 of the Registrant's Annual Report on Form 10-K filed with the SEC on July 5, 2011).
23.1*	Consent of Haskell & White LLP
23.2*	Consent of Ernst & Young, LLP
24.1	Power of Attorney (included in signature page of this report)
31.1*	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
31.2*	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a).
32.1*	Certification of the Chief Executive Officer of the Registrant furnished pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350.
32.2*	Certification of the Chief Financial Officer of the Registrant furnished pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350.
101*	The following Quantum Fuel Systems Technologies Worldwide, Inc. financial information for the eight month transition period ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets), (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Equity , (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. The information in Exhibit 101 is "furnished" and not "filed," as provided in Rule 402 of Regulation S-T.

* - Filed herewith

† - Certain portions of this Exhibit have been omitted and separately filed with the Securities and Exchange Commission pursuant to a request for confidential treatment.

INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Quantum Fuel Systems Technologies Worldwide, Inc.

We have audited the accompanying consolidated balance sheet of Quantum Fuel Systems Technologies Worldwide, Inc. (the "Company") as of December 31, 2011, and the related consolidated statements of operations, changes in equity, and cash flows for the eight month period then ended. In connection with our audit of the consolidated financial statements, we have also audited the financial statement schedule for the eight month period ended December 31, 2011. We also have audited the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on 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 the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2011, and the consolidated results of its operations and its cash flows for the eight month period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule for the eight month period ended December 31, 2011, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred significant operating losses and used a significant amount of cash in operations during the eight months ended December 31, 2011. Further, the Company has a significant accumulated deficit and a working capital deficit as of December 31, 2011. These and other matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are described in Note 1 to the consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

HASKELL & WHITE LLP

Irvine, California
March 28, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Quantum Fuel Systems Technologies Worldwide, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Quantum Fuel Systems Technologies Worldwide, Inc. and Subsidiaries as of April 30, 2011 and 2010, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended April 30, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not audit or review the selected interim financial data for the eight month period ended December 31, 2010 contained in Note 20, "Comparative Prior Year Information," and, accordingly, we do not express an opinion or any other form of assurance on that data.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quantum Fuel Systems Technologies Worldwide, Inc. and Subsidiaries at April 30, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 30, 2011, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Quantum Fuel Systems Technologies Worldwide, Inc. and Subsidiaries will continue as a going concern. As more fully described in Note 1 to the financial statements, Quantum Fuel Systems Technologies Worldwide, Inc. and Subsidiaries' recurring losses and negative cash flows combined with the Company's existing sources of liquidity and other conditions raise substantial doubt about its ability to continue as a going concern. Management's plans as to these matters also are described in Note 1. The April 30, 2011 financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Orange County, California
July 1, 2011

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	April 30, 2010	April 30, 2011	December 31, 2011
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,026,882	$ 2,776,074	$ 3,798,181
Accounts receivable, net	2,833,137	5,765,926	7,446,063
Inventories, net	1,766,420	1,520,912	2,335,536
Prepaids and other current assets	927,920	713,716	1,706,670
Total current assets	9,554,359	10,776,628	15,286,450
Property and equipment, net	8,096,787	7,422,182	5,898,970
Investment in and advances to affiliates	6,971,944	7,041,522	5,495,343
Asset held for sale	2,089,947	—	—
Intangible asset, net	8,575,518	8,613,644	2,881,598
Goodwill	32,858,914	33,063,008	12,400,000
Prepayments to affiliate	3,971,600	4,440,600	3,887,040
Deposits and other assets	899,058	612,463	587,348
Total assets	$ 73,018,127	$ 71,970,047	$ 46,436,749
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	$ 4,167,199	$ 6,259,098	$ 4,727,503
Accrued payroll obligations	1,353,709	1,300,647	1,106,657
Deferred revenue	200,562	359,031	1,186,417
Accrued warranties	89,754	47,653	317,954
Derivative instruments	12,547,000	4,322,000	953,000
Other accrued liabilities	1,853,468	2,094,786	1,692,668
Facility exit obligation, current portion	—	—	327,168
Debt obligations, current portion	519,243	18,530,762	8,689,380
Total current liabilities	20,730,935	32,913,977	19,000,747
Facility exit obligation, net of current portion	—	—	1,092,411
Debt obligations, net of current portion	21,133,928	203,318	38,160
Deferred income taxes	481,330	218,707	189,019
Derivative instruments	6,669,000	56,000	543,000
Commitments and contingencies (note 19)			
Equity:			
Stockholders' equity:			
Preferred stock, $.001 par value; 20,000,000 shares authorized; none issued and outstanding for the periods presented	—	—	—
Series B common stock, $.02 par value; 100,000 shares authorized; 49,998 issued and outstanding for all periods presented	1,000	1,000	1,000
Common stock, $.02 par value; 19,900,000 shares authorized and 8,457,766 shares issued and outstanding at April 30, 2010; 19,900,000 shares authorized and 11,794,762 shares issued and outstanding at April 30, 2011; 49,900,000 shares authorized and 26,617,369 shares issued and outstanding at December 31, 2011	169,155	235,895	532,347
Additional paid-in-capital	395,709,444	420,907,771	447,618,780
Accumulated deficit	(372,016,566)	(383,046,971)	(421,544,251)
Accumulated other comprehensive income (loss)	(755,791)	480,350	(1,034,464)
Total stockholders' equity	23,107,242	38,578,045	25,573,412
Noncontrolling interests	895,692	—	—
Total equity	24,002,934	38,578,045	25,573,412
Total liabilities and equity	$ 73,018,127	$ 71,970,047	$ 46,436,749

See accompanying notes.

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended April 30,			Eight Months Ended December 31,
	2009	2010	2011	2011
Revenue:				
Net product sales	$ 975,098	$ 1,450,459	$ 4,543,758	$ 15,051,727
Contract revenue	22,282,622	8,154,690	15,730,490	9,425,994
Total revenue	23,257,720	9,605,149	20,274,248	24,477,721
Costs and expenses:				
Cost of product sales attributable to affiliate	—	—	78,416	2,272,139
Cost of product sales attributable to non-affiliates	2,288,237	1,573,380	3,614,410	8,485,052
Research and development	25,177,261	13,533,987	18,098,079	10,311,898
Selling, general and administrative	13,888,843	14,133,154	14,870,721	11,351,127
Amortization and impairment of long-lived assets	7,020,607	869,242	1,425,893	27,430,955
Total costs and expenses	48,374,948	30,109,763	38,087,519	59,851,171
Operating loss	(25,117,228)	(20,504,614)	(17,813,271)	(35,373,450)
Interest expense, net	(3,690,855)	(2,415,082)	(3,367,610)	(4,298,489)
Fair value adjustments of derivative instruments, net	27,693,000	(10,574,000)	13,214,000	4,610,000
Loss on modification of debt and derivative instruments, net	(23,834,000)	(14,686,955)	(1,513,359)	(2,559,583)
Gain (loss) on settlement of debt and derivative instruments, net	(4,294,000)	822,239	(1,493,577)	220,226
Equity in earnings (losses) of affiliates, net	(733,000)	1,089,000	(314,301)	(1,110,702)
Other income (expense)	1,985,031	(18,691)	17,212	—
Loss from operations before income taxes	(27,991,052)	(46,288,103)	(11,270,906)	(38,511,998)
Income tax benefit (expense)	(1,600)	(6,224)	240,501	14,718
Net loss attributable to stockholders	$(27,992,652)	$(46,294,327)	$(11,030,405)	$(38,497,280)
Per share data—Net loss:				
Basic & diluted	$ (6.08)	$ (7.17)	$ (1.14)	$ (2.47)
Weighted average shares outstanding:				
Basic & diluted	4,600,666	6,459,899	9,700,395	15,577,364

See accompanying notes.

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Series B Common Stock		Common Stock		Additional Paid-In-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Noncontrolling Interests	Total Equity	Comprehensive Income (loss)
	Shares	Amount	Shares	Amount						
Balance at April 30, 2008	49,998	$1,000	3,898,620	$ 77,972	$299,436,962	$(297,729,587)	$ —	$ —	$ 1,786,347	
Share-based compensation on stock option and restricted stock awards	—	—	(1,000)	(20)	1,944,244	—	—	—	1,944,224	
Issuance of common stock to investor	—	—	450,000	9,000	10,414,971	—	—	—	10,423,971	
Issuance of common stock in satisfaction of debt principal conversions	—	—	377,778	7,556	10,192,444	—	—	—	10,200,000	
Issuance of common stock in satisfaction of Make-Whole Amount provision associated with debt principal conversions	—	—	136,000	2,720	8,601,280	—	—	—	8,604,000	
Warrant exercises	—	—	20,000	400	931,600	—	—	—	932,000	
Comprehensive loss:										
Foreign currency translation	—	—	—	—	—	—	(765,586)	—	(765,586)	$ (765,586)
Net loss	—	—	—	—	—	(27,992,652)	—	—	(27,992,652)	(27,992,652)
Comprehensive loss attributable to stockholders	—	—	—	—	—	—	—	—	—	$(28,758,238)
Balance at April 30, 2009	49,998	$1,000	4,881,398	$ 97,628	$331,521,501	$(325,722,239)	$(765,586)	$ —	$ 5,132,304	
Share-based compensation on stock option and restricted stock awards	—	—	1,250	25	925,036	—	—	—	925,061	
Issuance of common stock to investors	—	—	1,334,999	26,700	12,363,550	—	—	—	12,390,250	
Issuance of common stock and warrants in connection with acquisition of Schneider Power, Inc.	—	—	840,551	16,811	11,919,909	—	—	—	11,936,720	
Noncontrolling interests associated with acquisition of Schneider Power, Inc.	—	—	—	—	—	—	—	897,881	897,881	
Issuance of common stock in satisfaction of debt and derivatives	—	—	1,344,396	26,888	30,116,551	—	—	—	30,143,439	
Issuance of common stock from cashless warrant exercises	—	—	54,922	1,098	1,559,902	—	—	—	1,561,000	
Option exercise	—	—	250	5	3,995	—	—	—	4,000	
Reclass of derivative instruments from liabilities to equity	—	—	—	—	7,299,000	—	—	—	7,299,000	
Comprehensive loss:						—	—	—		
Foreign currency translation	—	—	—	—	—	—	9,795	(2,189)	7,606	$ 7,606
Net loss	—	—	—	—	—	(46,294,327)	—	—	(46,294,327)	(46,294,327)
Total comprehensive loss										(46,286,721)
Backout: comprehensive loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	—	2,189
Comprehensive loss attributable to stockholders	—	—	—	—	—	—	—	—	—	$(46,284,532)
Balance at April 30, 2010	49,998	$1,000	8,457,766	$169,155	$395,709,444	$(372,016,566)	$(755,791)	$895,692	$ 24,002,934	

Continued on following page

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Series B Common Stock		Common Stock		Additional Paid-In-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Noncontrolling Interests	Total Equity	Comprehensive Income (loss)
	Shares	Amount	Shares	Amount						
Share-based compensation on stock option and restricted stock awards	—	—	96,929	1,938	1,178,374	—	—	—	1,180,312	
Issuance of common stock to investors	—	—	1,781,330	35,627	10,852,342	—	—	—	10,887,969	
Issuance of common stock in satisfaction of legal settlement	—	—	108,000	2,160	467,640	—	—	—	469,800	
Issuance of common stock in satisfaction of debt and derivatives	—	—	1,212,283	24,246	6,738,554	—	—	—	6,762,800	
Issuance of common stock and warrants in connection with modifications to debt	—	—	83,000	1,660	5,362,526	—	—	—	5,364,186	
Issuance of common stock for legal and consulting services	—	—	55,454	1,109	598,891	—	—	—	600,000	
Distributions to noncontrolling interests associated with Schneider Power, inc.	—	—	—	—	—	—	—	(899,370)	(899,370)	
Comprehensive loss:										
Foreign currency translation	—	—	—	—	—	—	1,236,141	3,678	1,239,819	$ 1,239,819
Net loss	—	—	—	—	—	(11,030,405)	—	—	(11,030,405)	(11,030,405)
Total comprehensive loss										(9,790,586)
Backout: comprehensive gain attributable to noncontrolling interests	—	—	—	—	—	—	—	—	—	(3,678)
Comprehensive loss attributable to stockholders	—	—	—	—	—	—	—	—	—	$ (9,794,264)
Balance at April 30, 2011	49,998	$1,000	11,794,762	$235,895	$420,907,771	$(383,046,971)	$ 480,350	$ —	$ 38,578,045	
Share-based compensation on stock option and restricted stock awards	—	—	—	—	696,003	—	—	—	696,003	
Issuance of common stock to investors	—	—	13,730,790	274,616	17,484,257	—	—	—	17,758,873	
Issuance of common stock and warrants in connection with modifications to debt	—	—	500,000	10,000	2,200,000	—	—	—	2,210,000	
Issuance of common stock in satisfaction of debt principal	—	—	399,416	7,988	1,842,470	—	—	—	1,850,458	
Issuance of common stock in exchange for professional services	—	—	20,000	400	(400)	—	—	—	—	
Issuance of common stock in connection with warrant exercises	—	—	172,401	3,448	887,552	—	—	—	891,000	
Issuance of warrants in connection with debt issuances	—	—	—	—	1,597,401	—	—	—	1,597,401	
Recognition of beneficial conversion feature in connection with debt issuances	—	—	—	—	2,032,726	—	—	—	2,032,726	
Reclassification of financial instrument from equity to debt	—	—	—	—	(29,000)	—	—	—	(29,000)	
Comprehensive loss:									—	
Foreign currency translation	—	—	—	—	—	—	(1,514,814)	—	(1,514,814)	$ (1,514,814)
Net loss	—	—	—	—	—	(38,497,280)	—	—	(38,497,280)	(38,497,280)
Comprehensive loss attributable to stockholders										$(40,012,094)
Balance at December 31, 2011	49,998	$1,000	26,617,369	$532,347	$447,618,780	$(421,544,251)	$(1,034,464)	$ —	$ 25,573,412	

See accompanying notes.

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended April 30,			Eight Months Ended December 31,
	2009	2010	2011	2011
Cash flows from operating activities:				
Net loss	$(27,992,652)	$(46,294,327)	$(11,030,405)	$(38,497,280)
Adjustments to reconcile net loss from operations to cash used in operating activities:				
Depreciation on property and equipment	1,819,469	1,268,492	1,277,335	832,691
Amortization and impairment of long-lived assets	7,020,607	869,242	1,425,893	27,430,955
Share-based compensation charges	1,944,224	925,061	1,180,312	696,003
Fair value adjustments of derivative instruments	(27,693,000)	10,574,000	(13,214,000)	(4,610,000)
Loss on modification of debt and derivative instruments	23,834,000	14,686,955	1,513,359	2,559,583
Loss or gain on settlement of debt and derivative instruments	4,294,000	(822,239)	1,493,577	(220,226)
Provision for inventory obsolesence	1,294,945	618,357	154,879	30,000
Interest on debt obligations	1,159,793	1,497,294	2,569,564	3,606,001
Equity in earnings or losses of affiliates	733,000	(1,089,000)	314,301	1,110,702
Facility exit obligation charges	—	—	—	1,848,520
Other non-cash items	(12,686)	—	(389,749)	(102,564)
Changes in operating assets and liabilities:				
Accounts receivable	4,342,833	2,532,202	(2,928,490)	(1,683,862)
Prepayments to affiliates	(4,657,850)	—	—	—
Inventories	1,634,572	666,176	90,629	(844,624)
Other assets	162,651	439,638	851,700	(819,113)
Accounts payable	63,928	(90,570)	2,731,753	(1,336,522)
Deferred revenue and other accrued liabilities	(4,826,510)	(516,866)	383,890	498,679
Net cash used in operating activities	(16,878,676)	(14,735,585)	(13,575,452)	(9,501,057)
Cash flows from investing activities:				
Purchases and development of property and equipment	(4,820,315)	(445,821)	(1,751,582)	(1,081,067)
Proceeds from sale of asset held for sale	—	—	2,093,737	—
Loan provided to Schneider Power, Inc. prior to close of acquisition	—	(600,000)	—	—
Cash acquired upon close of acquisition of Schneider Power, Inc.	—	596,053	—	—
Payments to non-controlling interests	—	—	(897,316)	—
Investment in and advances to affiliate	(4,863,000)	(165,000)	(34,664)	—
Other	(55,462)	—	—	—
Net cash used in investing activities	(9,738,777)	(614,768)	(589,825)	(1,081,067)
Cash flows from financing activities:				
Proceeds from issuance of common stock and warrants, net of transaction fees	17,713,971	13,785,250	11,434,963	17,758,873
Proceeds from exercise of warrants and options	600,000	4,000	—	—
Borrowings on term notes, net of issuance costs	7,500,000	3,000,000	3,378,601	9,207,926
Borrowings on non-revolving line of credit	—	—	2,500,000	—
Borrowings on capital leases and other financing	114,776	21,610	304,706	31,859
Payments on term notes	(2,400,000)	(2,816)	(4,114,074)	(14,673,376)
Payments on non-revolving line of credit	—	—	(500,000)	—
Payments on facility exit obligations, net	—	—	—	(428,941)
Payments on capital leases and other financing	(313,794)	(50,658)	(152,718)	(262,882)
Net cash provided by financing activities	23,214,953	16,757,386	12,851,478	11,633,459
Net effect of exchange rate changes on cash	—	(1,366)	62,991	(29,228)
Net increase (decrease) in cash and cash equivalents	(3,402,500)	1,405,667	(1,250,808)	1,022,107
Cash and cash equivalents at beginning of year	6,023,715	2,621,215	4,026,882	2,776,074
Cash and cash equivalents at end of year	$ 2,621,215	$ 4,026,882	$ 2,776,074	$ 3,798,181

Continued on following page

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

	Year Ended April 30, 2009	2010	2011	Eight Months Ended December 31, 2011
Supplemental schedule of non-cash investing and financing activities of continuing operations:				
Exercise of warrants classified as derivative instruments:				
Decrease in derivative instruments associated with warrants	$ 480,000	$ 1,597,000	$ —	$ 1,075,000
Increase in common stock and additional paid-in-capital	(480,000)	(1,561,000)	—	(891,000)
Decrease in accumulated deficit	—	(36,000)	—	(184,000)
Record initial value of embedded derivative instruments associated with debt and warrant issuances:				
Increase in long-term debt	—	(2,251,000)	—	—
Increase in derivative instrument liability	—	(1,240,000)	(1,011,000)	—
Decrease in additional paid-in-capital	—	—	642,000	—
Increase in accumulated deficit	—	3,491,000	369,000	—
Conversion of debt to equity:				
Decrease in debt principal and interest	10,200,000	20,486,458	5,750,000	1,808,684
Decrease in debt discount	—	(79,780)	—	—
Decrease in derivative instruments associated with debt obligations	4,162,000	10,523,000	—	—
Increase (decrease) in accumulated deficit	4,442,000	(786,239)	(80,234)	41,774
Increase in common stock and additional paid-in-capital	(18,804,000)	(30,143,439)	(5,669,766)	(1,850,458)
Issuance of common shares and warrants in connection with debt modifications:				
Increase in prepaids and other current assets	—	—	—	570,000
Increase in accumulated deficit	—	—	—	1,640,000
Increase in common stock and additional paid-in-capital	—	—	—	(2,210,000)
Recognition of derivative liabilities in connection with debt modifications:				
Increase in accumulated deficit	—	—	—	919,583
Decrease in debt obligations	—	—	—	238,417
Increase in derivative liabilities	—	—	—	(1,158,000)
Settlement of legal reserve through issuance of stock:				
Reduction in other accrued liabilities	—	—	550,000	—
Decrease in accumulated deficit	—	—	(80,200)	—
Increase in common stock and additional paid-in-capital	—	—	(469,800)	—
Reclass of derivative instruments between liability and equity presentation:				
Decrease (increase) in derivative instrument liability	—	7,299,000	—	(29,000)
Decrease (increase) in additional paid-in-capital	—	(7,299,000)	—	29,000
Acquisition of Schneider Power, Inc.:				
Fair value of tangible assets acquired	—	5,942,254	—	—
Goodwill and intangibles	—	11,077,925	—	—
Fair value of liabilities assumed	—	(4,185,578)	—	—
Noncontrolling interests	—	(897,881)	—	—
Increase in common stock and additional paid-in-capital	—	(11,936,720)	—	—
Supplemental disclosure information of continuing operations:				
Cash paid during the year for:				
Interest	$ (2,740,729)	$ (609,292)	$(1,059,801)	$ (878,494)
Income taxes	(1,600)	(3,125)	(7,768)	(15,240)

See accompanying notes.

1. Background and Basis of Presentation

Background

Quantum Fuel Systems Technologies Worldwide, Inc. and Subsidiaries (collectively referred to as "Quantum," "we," "our" or "us") is a fully integrated alternative energy company—a leader in the development and production of natural gas, fuel cell and other advanced clean propulsion systems and renewable energy generation systems and services.

We believe that we are uniquely positioned to integrate advanced fuel and electric drive systems, software control strategies and propulsion control system technologies for alternative fuel vehicles, in particular, natural gas, plug-in hybrid electric, electric, fuel cell and hydrogen hybrid vehicles based on our years of experience in vehicle-level design, system and component software development, vehicle electronics, system control strategies and system integration.

We provide powertrain design and engineering, system integration, manufacturing and assembly of components and packaged systems for natural gas, electric, hybrid-electric, plug-in hybrid-electric, range extended plug-in electric and hydrogen vehicles, including refueling and recharging stations and systems. We are also an independent power producer and developer of renewable energy projects and provider of related services.

Our portfolio of technologies and products include hybrid electric and plug-in hybrid electric powertrain systems, advanced battery control systems, proprietary vehicle control systems and software, fuel storage and fuel delivery products and control systems for use in natural gas, hybrid, fuel cell, and other alternative fuel vehicles. Our proprietary control systems and software is integrated into base vehicle components such as inverters, chargers, battery systems and converters to provide customized hybrid drive-train technologies and systems. We also design and manufacture computerized controls, regulators and automatic shut-off equipment, lightweight, high-pressure hydrogen and natural gas storage tanks using advanced composite technology and hydrogen refueling systems capable of storage at up to 10,000 psi.

Our customer base includes automotive Original Equipment Manufacturers (OEMs), military and governmental agencies, aerospace, and other strategic alliance partners.

We were incorporated in the state of Delaware in October 2000 as Quantum Fuel Systems Technologies Worldwide, Inc. and became a publicly traded company on July 23, 2002.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of Quantum Fuel Systems Technologies Worldwide, Inc., our wholly owned subsidiary, Schneider Power Inc. (Schneider Power), and our majority-owned subsidiary, Quantum Solar Energy, Inc. (Quantum Solar).

On April 16, 2010, we completed the acquisition of Schneider Power, an alternative energy company with a portfolio of clean electricity generation development projects and land positions in prospective wind and solar power areas in North America and the Caribbean.

Quantum Solar was established with the intent to develop a solar panel distribution and manufacturing operation in Irvine, California. We currently own 85.0% of Quantum Solar and the remaining 15.0% is owned by the majority shareholder of our affiliate, asola Advanced and Automotive Solar Systems GmbH (Asola). Manufacturing operations have not commenced for Quantum Solar.

We also hold ownership interests in certain unconsolidated active businesses that are accounted for either under the equity or cost methods of accounting. These interests include: (i) in December 2010 we and the majority shareholder of Asola formed Asola Quantum Solarpower AG (AQS) to serve as a holding company for certain divisions of Asola's business, (ii) on September 3, 2009, we acquired an ownership interest in Shigan Quantum Technologies PVT LTD (Shigan Quantum), a start-up manufacturer of fuel injectors based in New Delhi, India, (iii) on October 6, 2009, we acquired an ownership interest in Power Control and Design, Inc. (PCD), a power control electronics software developer based in Newbury Park, California, (iv) on January 4, 2008, we acquired an ownership interest in Asola, a solar module manufacturer located in Erfurt, Germany, and (v) on August 7, 2007, we co-founded Fisker Automotive, Inc. (Fisker Automotive) with Fisker Coachbuild, LLC, which was formed for the purpose of producing premium plug-in hybrid automobiles. Our equity ownership in Fisker Automotive is currently less than 1% and we currently account for our investment in Fisker Automotive under the cost method of accounting. See Note 6 for further discussion of these businesses.

All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to the historical amounts to conform to the presentation of the amounts for the eight month transition period ended December 31, 2011.

In preparing the consolidated financial statements, we have evaluated subsequent events. For purposes of these consolidated financial statements, subsequent events are those events that occurred after the most recent balance sheet date presented but before the consolidated financial statements are issued or available to be issued.

Change in Fiscal Year

On January 13, 2012, our Board of Directors approved a change in our fiscal year-end from April 30 to December 31. The change was effective as of December 31, 2011. We are filing the accompanying consolidated financial statements in connection with a transition report filed with the Securities and Exchange Commission (SEC) which covers the eight month period beginning May 1, 2011 and ending December 31, 2011 (the "Transition Period") and the historical activities of the years ended April 30, 2009, 2010 and 2011. Our next fiscal year will cover the period from January 1, 2012 through December 31, 2012.

Reverse Stock Split

On February 8, 2011, we implemented a reverse stock split pursuant to which all of the issued and outstanding shares of our common stock at the close of business on such date were combined and reconstituted as a smaller number of shares of common stock in a ratio of 1 share of common stock for every 20 shares of common stock. Concurrently, our authorized shares of common stock were reduced proportionately from 400,000,000 to 20,000,000. The reverse stock split did not affect our 20,000,000 shares of authorized preferred stock. The accompanying consolidated financial statements and footnotes have been retroactively adjusted to reflect the effects of the reverse stock split.

Increase in Authorized Shares

At the Special Meetings of Stockholders held on May 10, 2011 and February 14, 2012, our stockholders authorized increases in the number of authorized shares of common stock from 20,000,000 to 50,000,000 and from 50,000,000 to 150,000,000, respectively, of which 100,000 shares are designated as Series B common stock.

Capital Resources

From our inception we have funded our operations and strategic investments primarily with proceeds from public and private offerings of our common stock, offerings of debt securities, and borrowings with financial institutions and our current senior lender. Since May 1, 2008, we have completed the following capital transactions:

- On May 30, 2008, we received $7.5 million in proceeds from our senior lender under a term note that was set to mature on August 31, 2009 (Term Note C) and we initially secured a $10.0 million unconditional commitment (Lender Commitment) from an affiliate of our senior lender that allowed us to draw on the commitment at our option and also allowed the senior lender to fund the commitment at the senior lender's option under certain defined structures. As discussed further below, the Lender Commitment was terminated in connection with the January 3, 2011 debt restructure that we executed with the senior lender before either party exercised its option under the arrangement.
- On August 25, 2008, we completed a registered direct offering of common stock and warrants that yielded gross proceeds of $19.1 million. We issued 450,000 common shares in connection with the transaction. The net amount received by us from the transaction, after deducting placement agent fees and offering expenses, was $17.7 million. We allocated $7.3 million of the net amount received from the transaction to the warrants that are classified as derivative instruments.
- On July 10, 2009, we and our senior lender agreed to a series of modifications to our credit facilities and incremental borrowings. In connection with the modifications, the amount of outstanding principal and unpaid interest on a term note (Term Note A) of $6.6 million was replaced with a new convertible note in that amount issued to the senior lender (Convertible Note II) and we received an additional $3.0 million in proceeds in exchange for a new convertible note issued to the senior lender (Convertible Note III).
- On September 4, 2009, we completed a private placement offering of common stock and warrants that raised cumulative gross proceeds of $12.3 million from the sale of shares of our common stock. We issued 1,005,909 common shares in connection with the transaction. The net amount received by us, after deducting placement agent fees and offering expenses, was $10.8 million.
- On various dates from April 30, 2010 through July 26, 2010, we raised cumulative gross proceeds of $10.9 million in connection with a private placement offering of common stock and warrants. We issued 986,452 common shares in connection with the transactions. The net amount received by us, after deducting placement agent fees and offering expenses, was $9.3 million.
- On October 13, 2010 and October 19, 2010, we raised cumulative gross proceeds of $4.0 million from the private placement sale of the 2010 Bridge Notes and warrants to certain accredited investors. The net amount received by us, after deducting placement agent fees and transaction expenses, was $3.4 million. On December 31, 2010, a payment default occurred as we were unable to repay the principal and interest on the December 31, 2010 maturity date. The payment default in the 2010 Bridge Notes caused contractual defaults on all of our debt obligations with our senior lender (which were all cured upon the final payoff of the 2010 Bridge Notes on April 29, 2011).
- On January 3, 2011, we and our senior lender entered into a series of transactions which restructured certain of our debt instruments, terminated the Lender Commitment, and provided us with a new $5.0 million non-revolving line of credit (LOC). On January 10, 2011, we received proceeds of $2.5 million under the LOC.

- On January 18, 2011, we and each of the holders of the 2010 Bridge Notes agreed to amend the scheduled principal repayment dates and revised the maturity date of the 2010 Bridge Notes to April 29, 2011.
- On February 18, 2011, we completed a private placement of common stock and warrants pursuant to which we raised cumulative gross proceeds of $5.7 million. The net amount received by us, after deducting placement agent fees and offering expenses, was $5.1 million. We issued 1,518,737 common shares in connection with the transaction. Our senior lender participated in the private placement as an investor and subscribed for $2.0 million of common stock units. The senior lender paid the subscription price by the cancellation of $2.0 million of the outstanding borrowings under the LOC. In connection with the closing of the private placement, the remaining unused $2.5 million under the LOC was terminated.
- On May 9, 2011 and May 20, 2011, we received gross proceeds of $1.5 million from the sale of 15.0% senior subordinated bridge notes (May 2011 Bridge Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $1.4 million.
- During May 2011 and June 2011, we issued 399,416 shares of our common stock to our senior lender in satisfaction of $1.8 million of principal demands made by our senior lender under a debt obligation we refer to as Term Note B.
- During the period of June 15, 2011 through July 6, 2011, we received gross proceeds of $10.0 million from the sale of common stock and warrants to accredited investors in a private placement transaction. We issued 3,204,475 common shares in connection with the transaction. The net amount received by us, after deducting placement agent fees and offering expenses, was approximately $8.8 million.
- On August 23, 2011, we received gross proceeds of $1.15 million from the sale of 15.0% senior subordinated bridge notes (August 2011 Bridge Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $1.05 million.
- On August 31, 2011, we issued 500,000 shares of our common stock to our senior lender in consideration for the senior lender's agreement to, among other things, amend the repayment terms and maturity date of three convertible notes held by our senior lender that had a combined outstanding principal and accrued interest balance of $12.7 million (the Senior Convertible Notes) and were scheduled to mature on August 31, 2011.
- On September 29, 2011 and October 12, 2011, we received gross proceeds of approximately $3.8 million from the sale of 10% unsecured convertible promissory notes (the Unsecured "A" Convertible Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $3.2 million.
- During the period of October 17, 2011 through November 15, 2011, we received gross proceeds of $3.95 million from the sale of 10% unsecured convertible promissory notes (the Unsecured "B" Convertible Notes) and warrants to certain accredited investors in a private placement transaction. The net amount received by us, after deducting placement agent fees and transaction expenses, was $3.5 million.
- On November 2, 2011, we paid our senior lender a fee of $0.2 million and issued a warrant to purchase up to 540,000 shares of our common stock in consideration for our senior lender's agreement to further amend the maturity dates under the Senior Convertible Notes. All outstanding obligations under the Senior Convertible Notes were repaid in cash on December 21, 2011.

- On December 21, 2011, we completed an underwritten public offering transaction (the "December 2011 Offering") in which we received gross proceeds of $10.0 million from the sale and issuance of 10,526,315 shares of common stock. The investors also received warrants in connection with the transaction. The net amount received by us, after deducting underwriter discounts and transaction expenses, was $9.0 million.
- On January 19, 2012, we received net proceeds of $0.2 million and issued 221,250 shares of common stock in connection with an over-allotment provision under the December 21, 2011 public offering transaction. The investors also received warrants in connection with the transaction.
- On February 10, 2012 and March 7, 2012, we issued 735,000 and 630,000 shares of our common stock, respectively, to our senior lender in satisfaction of $1.3 million of principal demands made by our senior lender under a debt obligation we refer to as the Consent Fee Term Note.
- On March 20, 2012 and March 21, 2012, we completed an underwritten public offering transaction in which we received total gross proceeds of $14.6 million from the sale and issuance of 17,200,000 shares of common stock to investors. The investors also received warrants in connection with the transaction. On March 21, 2012 and March 23, 2012, the underwriters also exercised part of their option associated with an over-allotment provision of the offering in which we issued an additional 1,625,000 shares of common stock and issued additional warrants in exchange for gross proceeds of $1.4 million. After factoring in applicable underwriter discounts and transaction costs, we expect the net proceeds from the March 2012 closings to be approximately $14.4 million.

Liquidity

Our historical operating results, capital resources and financial position, in combination with current projections and estimates, were considered in management's plan and intentions to fund our operations over a reasonable period of time which we define as the twelve month period ending December 31, 2012. For purposes of liquidity disclosures, we assess the likelihood that we have sufficient available working capital and other principal sources of liquidity to fund our operating activities and obligations as they become due and the likelihood that we will be able to maintain compliance with the required provisions contained within our debt instruments over the twelve month period. We have historically incurred operating losses and negative cash flows from operating activities. Although we expect to use a significant amount of cash in our operations over the next year for our operating activities and debt service, our current operating plan anticipates increased revenues and improved profit margins for the twelve month period, which we expect will reduce the levels of cash required for our operating activities as compared to historical levels of use.

Our principal source of liquidity as of March 23, 2012, after factoring in the proceeds from the completion of the underwritten public offerings and repayment of $3.9 million of debt obligations that matured on March 20, 2012, consisted of cash and cash equivalents of $11.5 million.

Based on current projections and estimates, we do not believe our principal source of liquidity will be sufficient to fund our operating activities and obligations as they become due over the next twelve months. In order for us to have sufficient capital, we will need to restructure our existing debt obligations and/or otherwise raise additional capital to be able to fund our operations and execute our business plan over this period. Although we have been successful in the past in restructuring our debt obligations and raising debt and equity capital, we cannot provide any assurance that we will be successful in doing so in the future to the extent necessary to be able to fund all of our business plans, operating activities and obligations through December 31, 2012. This need to restructure our debt obligations or otherwise raise additional capital in the coming months, combined with our recurring negative cash flows and other conditions, raises substantial doubt about our ability to continue as a going concern.

As of March 23, 2012, we had $6.3 million of outstanding debt obligations, consisting of (i) $1.1 million due under a promissory note we refer to as the Consent Fee Term Note that is payable on demand, (ii) $1.1 million related to a bank term loan that matures on April 3, 2012, (iii) $4.0 million due under the Unsecured "B" Convertible Notes that mature from October 17 through November 15, 2012, and (iv) $0.1 million due under other financing arrangements. We have received a non-binding commitment letter from the lender of the bank term loan that is set to mature on April 3, 2012 that, if completed, would extend the maturity date of that loan until April 2017.

The consolidated financial statements that are included in this report have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to our ability to continue as a going concern. An inability by us to restructure our debt obligations and/or otherwise raise additional capital to sufficiently fund our working capital needs and repay our debt obligations as they mature would have a material adverse affect on our business and our ability to continue as a going concern.

In addition to our need to refinance, restructure and/or otherwise raise sufficient capital to cover our existing operations and debt service obligations, we will also need to raise additional capital in order to acquire or complete the build out of our planned wind and solar development projects and to further develop future generations of our hybrid electric propulsion systems. Further, we will need to increase revenues and improve profit margins for our business to be sustainable over the long term.

2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include assessing our levels of liquidity needs through December 31, 2012, collectability of accounts receivable, estimates of contract costs and percentage of completion, the use and recoverability of inventory, the carrying amounts and fair value of long-lived assets and goodwill, including estimates of future cash flows and market valuations associated with asset impairment evaluations, the fair value of derivatives associated with debt instruments and warrants, the realization of deferred taxes, useful lives for depreciation/ amortization periods of assets and provisions for warranty claims, among others. The markets for our products are characterized by competition, technological development and new product introduction, all of which could impact the future realizability of our assets. Actual results could differ materially from those estimates.

Foreign Currency Translations

The books and records of our wholly-owned subsidiary, Schneider Power, and our affiliate, Asola, are maintained in functional currencies that differ from the United States (U.S.) dollar functional currency that is reported in the accompanying consolidated financial statements. Schneider Power's functional currency is the Canadian dollar and Asola's functional currency is the Euro.

Schneider Power's assets and liabilities and our investments in and advances to Asola are translated at rates of exchange in effect at the end of the reporting period. Schneider Power's revenues and expenses and our equity in earnings or losses of Asola are translated at the average rates of exchange for the period. Foreign currency translation gains or losses are accumulated within other comprehensive income or loss as a separate component of stockholders' equity.

Foreign currency gains and losses (transactions denominated in a currency other than Schneider Power's local currency) are included in selling, general and administrative expenses.

Revenue Recognition

We generally manufacture products based on specific orders from customers. Revenue is recognized when the earnings process is complete and collectability is reasonably assured, which for product sales is generally upon shipment from our warehouse or shipment from warehouses of certain component suppliers that we have contractual relationships with. We include the costs of shipping and handling, when incurred, in cost of goods sold.

Contract revenue for customer funded research and development is principally recognized by the percentage of completion method or as earned on a time and material basis. For applicable contracts, we generally estimate percentage complete by determining cost incurred to date as a percentage of total estimated cost at completion. For certain other contracts, percentage complete is determined by measuring progress towards contract deliverables if it is determined that this methodology more closely tracks the realization of the earnings process. For contracts measured under the estimated cost approach, we believe we can generally make dependable estimates of the revenue and costs applicable to various stages of a contract. Recognized revenue and profit are subject to revisions as the contract progresses to completion. Our estimates of contract costs are based on expectations of engineering development time and materials and other support costs. These estimates can change based on unforeseen technology and integration issues, but known risk factors and contract challenges are generally allowed for in the initial scope and cost estimate of the program. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known.

In certain circumstances, customers pay one price for multiple products and services. Consideration from multiple element arrangements is allocated among the separate units of accounting based on the relative selling price method.

Our revenues also include energy generation sales associated with a wind farm which are recognized at the time of generation and delivery to the purchasing utility provider as metered at the point of interconnection with the transmission system. The rate paid by the purchasing utility provider is established in the Power Purchase Agreement (PPA) executed between us and the utility provider.

Research and Development Costs

Research and development costs are charged to expense as incurred. Equipment used in research and development with alternative future uses is capitalized and only the current period depreciation is charged to research and development.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less when purchased are considered to be cash equivalents.

Cash Flow Presentation

We report cash flows under the indirect method.

Accounts Receivable

We sell to customers using credit terms customary in our industry. Credit is extended to customers based on an evaluation of the customer's financial condition, and when credit is extended, collateral is generally not required. Interest is not normally charged on receivables. We establish an allowance for potential losses on our accounts receivable based on historical loss experience and current economic conditions. Accounts receivable are charged off to the allowance when we determine that the account is uncollectible.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method for all inventories. Market is determined by replacement cost for raw materials and parts and net realizable value for work-in-process and finished goods. Our business is subject to the risk of technological and design changes. We provide for obsolete or slow-moving inventory based on our analysis of inventory levels and future sales forecasts at the end of each accounting period.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation on property and equipment (other than land which is not depreciated) is computed by the straight-line method over the estimated useful lives of the assets. We are depreciating tooling, dies and molds over 5 years; plant machinery and equipment over 7 years; power generation machinery and equipment over 20 years; information systems and office equipment over periods of 3 to 7 years; and automobiles and trucks over 5 years. Amortization of leasehold improvements and equipment financed under borrowing facilities is provided using the straight-line method over the shorter of the assets' estimated useful lives or the lease terms.

Major renewals and improvements are capitalized and minor replacements, maintenance and repairs are charged to current operations as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the balance sheets and any gain or loss is reflected in the statements of operations.

Equity Method Investments

Investments in common stock of non-consolidated affiliates are accounted for under the equity method of accounting as a result of our ability to exercise significant influence over the operating and financial policies of our affiliates. The ability to exercise significant influence is due in part to the level of our equity holdings and/or through our representation on the board of directors for these affiliates. Under the equity method of accounting, investments of this nature are recorded at original cost and adjusted periodically to recognize our proportionate share of the investee's net income or losses after the date of investment. When net losses from an investment accounted for under the equity method exceed its carrying amount, the investment balance is reduced to zero and additional losses are not recorded. We resume accounting for the investment under the equity method when the affiliated entity subsequently reports net income and our share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred.

Goodwill and Other Intangible Assets

Acquisitions meeting business combinations criteria often give rise to goodwill. We utilize the services of valuation consultants to assist in allocating purchase price to acquired assets and liabilities assumed in connection with acquisition activities.

Goodwill represents the excess of purchase price over the fair value of net assets acquired in acquisitions and is allocated to our business segments. Goodwill is not amortized and is assessed annually for impairment or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. We expect to perform future goodwill assessments as of October 1 each year.

We amortize specifically identified intangible assets using the straight-line method over the estimated useful lives of the assets. Impairment losses are recorded on long-lived assets used in operations when an indicator of impairment (significant decrease in market value of an asset, adverse change in business climate, current expectation to dispose before end of estimated useful life, significant change in extent or manner in which the asset is used or significant physical change to the asset) is present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

Warranty Costs

We follow the policy of accruing an estimated liability for warranties at the time the warranted products are sold. Warranties are provided with terms similar to those offered by the OEM to its customers, which generally ranges from one to five years. Estimates are based primarily on future expectations.

Derivative Financial Instruments

We account for conversion features contained within certain of our debt instruments and exercise features of certain of our warrant contracts as derivative financial instruments as further discussed in Notes 10, 11 and 12.

The derivative financial instruments, which are classified as liabilities, are recorded at fair value and marked to market each period. Changes in fair value of the derivatives each period resulting from a movement in the share price of our common stock or the passage of time are recognized as fair value adjustments of derivative instruments on the consolidated statements of operations as other income or expense. Changes in fair value resulting from the modification to the terms of the derivative are recognized as a gain or loss on modification of derivative instruments on the consolidated statement of operations as other income or expense. We also use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to our own stock, including evaluating the instrument's contingent exercise and settlement provisions.

Certain derivative instruments are presented as current liabilities on the consolidated balance sheet if (i): the terms allow the holder to convert debt principal or demand principal repayments associated with derivative instruments within twelve months of the balance sheet date or (ii) in the case of warrants, certain contractual provisions under the warrant contracts could require immediate cash payment due to events that are outside of our control. These types of derivative instruments are similar in nature to demand obligations because the settlement of the obligations could require cash payment within the current operating cycle. For those financial instruments that do not allow for cash settlement under any circumstances but are accounted for as derivatives under GAAP are presented as non-current liabilities.

Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date (see Note 14).

We account for uncertainties in income tax law under a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns as prescribed by GAAP. Under GAAP, the tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If the tax position is not considered "more-likely-than-not" to be sustained, then no benefits of the position are recognized.

Share-Based Compensation

We account for share-based compensation expense by recognizing the estimated fair value of stock options and similar equity instruments issued to our employees on a straight-line basis over the requisite vesting period as an expense, reduced for estimated forfeitures.

Segment Information

We classify our continuing business operations into three segments: Fuel Systems, Renewable Energy and Corporate (see Note 17).

Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under GAAP are included in comprehensive income (loss) but are excluded from net income or loss attributable to stockholders, as these amounts are recorded directly as an adjustment to stockholders' equity. The change in our accumulated other comprehensive income (loss) for the periods presented is primarily associated with currency translation gains or losses.

Interest Expense

We recognize the amortization of deferred loan origination costs as interest expense under the effective interest method over the life of the arrangement.

Financial Instruments, Hedging Derivatives, and Concentration of Credit Risk

Financial instruments that we enter into consist principally of cash equivalents, trade receivables and payables, stock options and warrants, and debt obligations.

We may use derivative financial instruments for the purpose of reducing our exposure to adverse fluctuations in interest and foreign exchange rates. While these instruments could be subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying exposures being reduced. We have not used any derivative financial instruments for the purpose of reducing our exposure to adverse fluctuations in interest rates but have entered into currency exchange arrangements for the purpose of reducing our exposure to adverse changes in currency exchange rates. We are not a party to leveraged derivatives for investment or speculative purposes.

We conduct a major portion of our business with a limited number of customers. Fisker Automotive and General Motors (including subsidiaries of General Motors) represent a significant portion of our outstanding accounts receivable as of December 31, 2011. A single senior secured lender, WB QT, LLC, or affiliates of the senior secured lender (the "senior lender"), have principally held the majority of our debt obligations in recent years. See further discussion of accounts receivable and debt obligations at Notes 4 and 10, respectively.

Fair Values Measurements

We determine fair values of our assets and liabilities in accordance with the fair value measurements method under GAAP. We elected not to adopt the fair value option for any of our financial assets or liabilities that were not already accounted for under the fair value method prior to the adoption of the fair value measurements method. Based on certain qualifying events, we may elect to adopt the fair value option in the future for certain financial assets and liabilities. See further discussion of fair value measurements in Note 11.

Recent Accounting Pronouncements Issued

In September 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) No. 2011-08, "Intangibles—Goodwill and Other (Topic 350)." ASU 2011-08 simplifies how entities test goodwill for impairment. Under the revised standard, an entity is no longer required to calculate fair value of a reporting unit unless the entity determines, based on qualitative factors to determine whether the existence of events or circumstances leads to a determination, that it is more likely than not that its fair value is less than the carrying amount. We do not expect the adoption of the revised standard, as required, on January 1, 2012, to have an effect on our consolidated results of operations and financial position.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" that improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from other comprehensive income ("OCI") to net income, in both net income and OCI. The standard does not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the consolidated financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. The standard is effective for us beginning with our quarterly report for the period ending March 31, 2012. We expect the adoption of this standard will have an impact on our financial statement presentation and disclosures.

3. Acquisition of Schneider Power, Inc.

On April 16, 2010 we completed our acquisition of Toronto, Ontario, Canada-based Schneider Power, Inc. (Schneider Power) under the terms of a definitive Arrangement Agreement executed on November 24, 2009 (the "Arrangement Agreement") pursuant to which we acquired all of the outstanding shares of Schneider Power in a stock-for-stock exchange. Effective upon the closing of the Arrangement Agreement, we now operate Schneider Power as a wholly-owned subsidiary. Schneider Power is a renewable energy company that develops and constructs electricity generation facilities. Schneider Power also owns and operates a wind farm in Ontario, Canada and has a significant portfolio of renewable wind and solar energy projects in North America and the Caribbean in various stages of development. We report the operations of Schneider Power in the Renewable Energy business segment (see Note 17).

In connection with the closing of the Arrangement Agreement, we issued a total of 840,551 shares of our common stock to Schneider Power shareholders (representing 0.01195 of a Quantum common share for each Schneider Power common share outstanding), which included 10,549 shares issued to holders of Schneider Power in-the-money compensatory stock options at the time of closing. All outstanding Schneider Power stock options and Schneider Power warrants were cancelled effective upon the closing of the transaction. We provided the former Schneider Power warrant holders with Quantum replacement warrants that allowed these warrant holders to purchase up to 102,822 shares of our common stock at exercise prices ranging from $9.60 to $48.20 per share which expired without being exercised through May 13, 2011. The closing of the Arrangement Agreement was accounted for as an acquisition of Schneider Power by Quantum. The shares issued in connection with the Arrangement Agreement represented approximately 10% of our total shares outstanding on a post-transaction basis. Pursuant to the terms of the Arrangement Agreement, we appointed an individual nominated by Schneider Power to fill a vacancy on our Board of Directors.

Consideration and Measurement of Goodwill

The total fair value of the consideration provided by us on the closing date was $11.9 million and there is no further contingent consideration of other adjustments contemplated per the terms of the definitive business combination agreement. The fair value of the shares issued in connection with the acquisition was determined based on the closing share price of our common stock ($14.00 on April 16, 2010) on the date the transaction was completed. The fair value of the replacement warrants issued to former Schneider Power warrant holders was based on option-pricing mathematical formulas generally referred to as "Black-Scholes" option-pricing models.

We identified $9.4 million of tangible and intangible assets at fair value as of the date of the closing, which was net of the fair value of liabilities assumed and non-controlling interests. As a result, we initially ascribed $2.5 million of the consideration related to the transaction as goodwill in the Renewable Energy business segment (see Note 17). On October 31, 2011, we recognized total impairment charges of $7.5 million related to Schneider Power that are more fully described in Note 7, of which $5.0 million related to the intangible asset and $2.5 million related to the goodwill that was initially ascribed.

The components of the consideration paid were as follows:

Components of Consideration:	
Quantum common shares issued and exchanged for Schneider Power common shares	$11,620,031
Quantum common shares issued to former Schneider Power option holders	147,689
Quantum warrants issued to former Schneider Power warrant holders	169,000
Total consideration	$11,936,720

The fair value of the net assets acquired is as follows:

Fair Value of Business Acquired:	
Tangible assets acquired at fair value:	
Cash and cash equivalents	$ 596,053
Accounts receivable	45,373
Prepaids and other current assets	608,060
Deposits and other assets	684,882
Property and equipment	1,912,829
Asset held for sale	2,095,057
Total tangible assets acquired	5,942,254
Intangible assets acquired at fair value:	
Renewable energy project assets	8,613,000
Goodwill ascribed to transaction	2,524,818
Total assets acquired	17,080,072
Liabilities assumed at fair value:	
Accounts payable	(1,273,568)
Accrued payroll obligations	(198,252)
Loan payable to Quantum	(624,510)
Other accrued liabilities	(357,529)
Long-term debt	(1,311,064)
Deferred income taxes	(480,548)
Total liabilities assumed	(4,245,471)
Non-controlling interests in Schneider Power at fair value	(897,881)
Total liabilities assumed and non-controlling interests	(5,143,352)
Net assets acquired	$11,936,720

Pro Forma Data

The operating results of Schneider Power have been included in our consolidated financial statements from the date of the acquisition. The pro forma financial data set forth below gives effect to our acquisition of Schneider Power as if the acquisition had been completed on May 1, 2008. The pro forma financial data includes adjustments to reflect an increase in operating expenses associated with intangible asset amortization (resulting from the identification of renewable energy project intangible assets in connection with the acquisition that were not previously recorded) and an increase in the number of shares used in per share calculation as a result of shares issued in connection with the transaction. The pro forma financial data excludes those adjustments made to the book value of Schneider Power's tangible assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition.

	Year Ended April 30, 2009		Year Ended April 30, 2010	
	As Reported	Pro Forma (unaudited)	As Reported	Pro Forma (unaudited)
Total revenue	$ 23,257,720	$ 23,503,371	$ 9,605,149	$ 12,510,917
Operating loss	$(25,117,228)	$(28,683,874)	$(20,504,614)	$(22,016,014)
Net loss attributable to stockholders	$(27,992,652)	$(30,942,608)	$(46,294,327)	$(47,566,254)
Net loss per share—basic and diluted	$ (6.08)	$ (5.69)	$ (7.17)	$ (6.54)
Number of shares—basic and diluted	4,600,666	5,441,218	6,459,899	7,268,210

The pro forma financial information is for informational purposes only and is not indicative of what the actual consolidated results of operations might have been had the transaction occurred on May 1, 2008. Included in the as reported and pro forma results for the year ended April 30, 2010 were non-recurring expenses related to the acquisition of $0.7 million and $1.4 million, respectively. The acquisition costs are reported in selling, general and administrative costs in the accompanying consolidated statement of operations.

Investment in Grand Valley

Included in the Schneider Power assets acquired was $2.1 million as of April 16, 2010 and April 30, 2010 related to a renewable energy project asset that we had classified as held for sale. This asset represented the fair value of Schneider Power's investment in a wind farm project that is under development and that we refer to as the Grand Valley wind farm. We had recorded the asset at its fair value, less estimated cost to sell. As of the closing date of the Arrangement Agreement, management of Schneider Power had committed to a plan to sell the asset and the asset was available for immediate sale in its present condition subject only to terms that are usual and customary for this type of sale. Actions to locate a buyer as of the acquisition date had been initiated and the sale of the asset was considered probable within twelve months.

During the year ended April 30, 2011, Schneider Power executed an arrangement with a non-affiliated third party for the sale of the Grand Valley wind farm asset for $2.1 million in cash. On February 1, 2011, we received the balance of the cash consideration and completed the sale of the asset. In connection with the sales transaction, we distributed $0.9 million in cash to the minority interest partners associated with the asset. There was no residual gain or loss to be recognized on the disposal of the asset.

4. Accounts Receivable

Net accounts receivable from non-affiliates consist of the following:

	April 30, 2010	April 30, 2011	December 31, 2011
Customer accounts billed	$1,189,097	$3,723,224	$6,441,695
Customer accounts unbilled	1,716,149	2,219,453	1,277,526
Allowance for doubtful accounts	(72,109)	(176,751)	(273,158)
Accounts receivable, net	$2,833,137	$5,765,926	$7,446,063

We assess the collectability of receivables associated with our customers on an ongoing basis and historically any losses have been within management's expectations.

5. Inventories

Inventories consist of the following:

	April 30, 2010	April 30, 2011	December 31, 2011
Materials and parts	$ 3,670,420	$ 3,669,267	$ 4,594,694
Work-in-process	72,757	22,972	25,164
Finished goods	904,494	870,061	725,793
	4,647,671	4,562,300	5,345,651
Less: provision for obsolescence	(2,881,251)	(3,041,388)	(3,010,115)
Inventories, net	$ 1,766,420	$ 1,520,912	$ 2,335,536

6. Strategic Investments

Investment in Fisker Automotive

On August 7, 2007, we and Fisker Coachbuild, LLC, launched a new venture, Fisker Automotive, Inc. (Fisker Automotive), to produce premium plug-in hybrid automobiles. We initially owned 62.0% of Fisker Automotive; however, Fisker Automotive has since raised a level of capital that has resulted in the dilution of our direct ownership interest to less than 1%.

We accounted for our investment in Fisker Automotive under the equity method of accounting from the date of our initial ownership interest through July 31, 2010. Thereafter, we changed the method of accounting to the cost method as a result of changes in the composition of the Fisker Automotive board of directors and the dilution of our equity interest since the initial formation of the venture such that we no longer were considered to have significant influence over Fisker Automotive; however, under both of these methodologies, our investment in Fisker Automotive has been carried at zero for all periods presented.

During calendar 2011, we shipped production level component parts and continued to provide engineering services to support the launch of the Karma production vehicle.

Investment in Affiliates

We account for our affiliates, Asola, PCD, and Shigan Quantum under the equity method of accounting. The components of investment in and advances to affiliates is as follows:

	April 30, 2010	April 30, 2011	December 31, 2011
Quantum Affiliates:			
Asola	$6,806,944	$6,959,823	$5,491,918
PCD	165,000	78,181	—
Shigan-Quantum	—	3,518	3,425
Investment in and advances to affiliates	$6,971,944	$7,041,522	$5,495,343

Asola

On January 4, 2008, we acquired a 24.9% ownership interest in Asola, a solar module manufacturer located in Erfurt, Germany. We account for our equity interest in Asola under the equity method of accounting. Although Asola is a variable interest entity, we are not considered the primary beneficiary as defined under GAAP.

Pursuant to the terms of a Binding Letter of Intent dated May 11, 2007, which was the basis for our acquisition of the 24.9% interest in Asola, we were granted an option for a period of two years following the closing date of our acquisition of the 24.9% interest to increase our ownership in Asola by an additional 7.76%, to 32.66%, in exchange for 100,000 euro. On December 28, 2009, we provided Asola with written notice that we were exercising the option. Subsequently, we commenced negotiations with Asola's majority owner, ConSolTec GmbH (ConSolTec), regarding our acquisition of a majority interest in Asola. During the pendency of such negotiations, we agreed to forgo closing on the option exercise and reserved our right to withdraw the option exercise. The negotiations culminated in the execution of a non-binding letter of intent, which set forth the terms by which we would acquire a majority interest in Asola (Asola LOI). The Asola LOI, as amended, expired in June 2011, however, we continue to explore options to expand our strategic alliance with Asola.

In December 2010, we acquired a 24.9% interest in Asola Quantum Solarpower AG (AQS) in exchange for a cash payment of 24,900 euro. AQS was established to serve as a holding company for certain divisions of Asola's current business and Asola's anticipated expansion. Our current ownership in AQS is equal to the current ownership interest we have in Asola and, as such, we include AQS as part of our overall disclosures for our investments in and advances to Asola for reporting purposes. The conversion rate of one euro to one US Dollar was 1.30 to 1.0 as of December 31, 2011, 1.48 to 1.0 as of April 30, 2011, and 1.32 to 1.0 as of April 30, 2010.

Asola maintains its books and records on a calendar year basis and has reported financial results for calendar 2009 and 2010 and has provided estimated unaudited results for calendar 2011 under German generally accepted accounting principles as follows:

	Year ended December 31,		
	2009	2010	2011
(Euros)			
Current assets	€19,399,784	€ 17,659,666	€10,735,484
Non-current assets	9,150,090	8,774,453	8,025,811
Current liabilities	10,258,769	7,638,813	10,235,943
Long-term liabilities	14,166,895	12,150,438	7,180,038
Product sales	38,682,329	72,758,598	41,177,615
Gross profit on product sales	8,467,542	13,290,398	3,644,711
Net income	1,429,501	2,505,522	(5,395,331)
(US Dollars)			
Current assets	$27,806,000	$ 23,557,000	$13,910,000
Non-current assets	13,115,000	11,705,000	10,399,000
Current liabilities	14,704,000	10,190,000	13,263,000
Long-term liabilities	20,305,000	16,208,000	9,303,000
Product sales	54,882,000	100,670,000	54,141,000
Gross profit on product sales	12,014,000	18,389,000	4,792,000
Net income	2,028,000	3,467,000	(7,094,000)

Our equity in net earnings or losses of Asola was a positive US$0.1 million, a positive US$1.1 million and a negative US$0.2 million for the years ended April 30, 2009, 2010 and 2011, respectively, and was a negative US$1.1 million for the eight month period ended December 31, 2011. Our equity in net earnings or losses differs from the 24.9% of the net income (loss) shown in the tables above due to adjustments to equity in net earnings or losses related to differences between German generally accepted accounting principles and US GAAP. Such differences are adjusted for in calculating our equity in earnings or losses under US GAAP.

Asola Solar Cell Supply Agreement

Asola has a certain long-term solar cell supply agreement dated November 1, 2007 (Supply Agreement) with one of its suppliers of solar cells for Asola's solar module manufacturing operations. We have a related unconditional commitment under a November 2007 agreement with Asola to purchase one-half of the solar cells and to provide our share of prepayments totaling 4.5 million euro to Asola in connection with the Supply Agreement. Our agreement to purchase one-half of Asola's rights and obligations under Asola's long-term Supply Agreement provides us with the rights to purchase 77.5 megawatts (MW) of solar cells.

As of the date of these financial statements, we had provided Asola with 3.0 million euro for our share of prepayments under the Supply Agreement. The remaining 1.5 million euro was due on September 1, 2009 but, as discussed in more detail below, the Supply Agreement is currently in dispute. We have not purchased any solar cells under our agreement with Asola and we are still obligated to provide an additional 1.5 million euro to Asola to satisfy our share of the September 1, 2009 prepayment. Asola has not initiated or threatened to take any action against us in connection with our obligations under our agreement with Asola.

Beginning in calendar 2009, the worldwide supply of solar cells increased and suppliers in the industry lowered prices for both the immediate delivery of solar cells and for longer term solar cell purchase arrangements. As a result of these price declines, the spot rates of solar cells for immediate delivery are significantly below the purchase prices that are specified under the Supply Agreement. The Supply Agreement includes a "loyalty clause" that states that if a provision of the Supply Agreement proves to be unreasonable for one of the parties to the agreement, then any such circumstance will be taken account of in a fair and reasonable way. Pursuant to the Supply Agreement, Asola was required to take delivery of solar cells with a combined power of 4.0 million watts in calendar 2009 and 10.0 million watts in calendar 2010. Asola has not taken delivery of these cells and has claimed that the "loyalty clause" requires that the supplier amend the prices specified under the Supply Agreement in a reasonable manner. The matter reached an impasse with the supplier and is currently working its way through the German legal system. To date, no information has come to our attention that changes our view that we do not have a loss contract that requires a charge to be recognized.

If Asola is unable to successfully modify its remaining commitments under the Supply Agreement, we may have to record a charge in the future equal to the sum of our prepayments made to date, plus the remaining unconditional commitments, less the estimated net realizable value of the solar cells to be acquired under our agreement with Asola. This amount cannot be reasonably estimated at this time based on the uncertainty with forecasting future market prices over the remaining period of the Supply Agreement. However, we currently believe that the range of a potential charge that we could be required to recognize would be limited to approximately $9.4 million, which amount represents the total of all solar cell prepayments and other advances made by us to Asola, plus our net investment in Asola at December 31, 2011.

Although we do not intend to purchase any cells from Asola or make the scheduled prepayment that was due to Asola in September 2009 in connection with the Supply Agreement until the contractual matter discussed above is resolved, our unconditional remaining obligations, including amounts in arrears and prior to any modifications discussed above, to purchase solar cells from Asola and provide our share of prepayments to Asola over the remaining life of the Supply Agreement (in euros and in US dollars based on the currency exchange rate as of December 31, 2011) is as follows:

	Euros:	US Dollars:
Twelve months ended December 2012	€ 44,815,000	$ 58,066,000
Twelve months ended December 2013	14,620,000	18,943,000
Twelve months ended December 2014	13,920,000	18,036,000
Twelve months ended December 2015	13,620,000	17,647,000
Twelve months ended December 2016	13,320,000	17,258,000
Twelve months ended December 2017	13,015,000	16,863,000
Total	€113,310,000	$146,813,000

Secured Loan to Asola

We provided Asola with a loan in the amount of US$2.2 million on September 26, 2008 for the purpose of assisting Asola in meeting its September 2008 prepayment obligation under the Supply Agreement. The loan is evidenced by a promissory note and is guaranteed by ConSolTec, which guaranty is secured by ConSolTec's pledge of all of its ownership interest in Quantum Solar. Per the stated terms of the note, the loan accrues interest at a 6.0% annualized rate and was set to mature upon the earlier of Asola's completion of a capital raise of at least 20.0 million euro or March 31, 2010. Although Asola has not repaid the loan in accordance with the stated terms and we do not expect repayment over the next twelve months, we still consider the outstanding balance to be fully collectible. As a result, we classify the loan in noncurrent assets as part of the investment in and advances to affiliate on the accompanying consolidated balance sheets at April 30, 2010, 2011 and December 31, 2011.

Rollforward of Investment In and Advances to Asola

We recorded our initial investment in Asola at cost and adjust the carrying amount of the investment to recognize advances we provide to Asola, the impacts of foreign currency translation, our investment in AQS, and our share of the earnings or losses of Asola (including AQS) after the date of acquiring the ownership interest. The activity and carrying balances for the years ended April 30, 2009, 2010, and 2011 and for the eight month period ended December 31, 2011, is as follows:

Investment In and Advances to Asola:	
Balance at April 30, 2008	$ 3,503,026
Advance provided in the form of note receivable, secured	2,196,250
Equity in earnings for the twelve month period ended April 30, 2009	66,000
Foreign currency translation	(230,536)
Balance at April 30, 2009	5,534,740
Equity in earnings for the twelve month period ended April 30, 2010	1,089,000
Accrued interest on advance	133,590
Foreign currency translation	49,614
Balance at April 30, 2010	6,806,944
Equity in losses for the twelve month period ended April 30, 2011	(231,000)
Investment in Asola Quantum Solarpower AG (AQS)	34,664
Accrued interest on advance	142,749
Settlement of accrued interest on advance	(165,052)
Foreign currency translation	371,518
Balance at April 30, 2011	6,959,823
Equity in losses for the eight month period ended December 31, 2011	(1,091,000)
Accrued interest on advance	87,846
Settlement of accrued interest on advance	(186,673)
Foreign currency translation	(278,078)
Balance at December 31, 2011	$ 5,491,918

Power Control and Design

On October 6, 2009, we acquired a 22% interest in Power Control and Design, Inc. (PCD) in exchange for a cash payment of $165,000. PCD designs and develops control software for use in motor control, solar-to-grid, wind-turbine, electric vehicle charges and power conversion products and applications for infrastructure, automotive, aerospace and industrial markets. Our net equity in losses associated with PCD for the years ended April 30, 2010 and 2011 and for the eight months ended December 31, 2011 were zero, $86,819, and $19,609, respectively. We also took a charge of $58,572 as of July 31, 2011 to write-down our investment balance to zero.

Shigan Quantum

On September 3, 2009, we acquired a 25% interest in Shigan Quantum Technologies PVT LTD (Shigan Quantum), a start-up company organized under India's Corporate Act, in exchange for giving Shigan Quantum certain rights to our gas injector intellectual property. Shigan Quantum intends to manufacture and sell gaseous fuel injectors using our technologies and variants thereof. We have not contributed any assets with a historical cost basis to the affiliate and have no obligation to fund deficit balances. Our net equity in earnings associated with Shigan Quantum for the years ended April 30, 2010 and 2011 and for the eight months ended December 31, 2011 were approximately zero, $4,000, and zero, respectively.

7. Long-lived Assets

Property and equipment

Property and equipment consist of the following:

	April 30, 2010	April 30, 2011	December 31, 2011
Land	$ 506,663	$ 535,700	$ 498,010
Tooling, dies and molds	3,043,520	3,145,703	3,145,703
Plant machinery and equipment	10,878,936	11,682,639	12,088,124
Power generation machinery and equipment	1,337,746	1,414,413	1,304,167
Information systems and office equipment	9,474,937	9,587,019	9,939,874
Automobiles and trucks	284,580	284,828	314,090
Leasehold improvements	5,385,115	5,385,115	5,388,339
Property and equipment in service, gross	30,911,497	32,035,417	32,678,307
Less accumulated depreciation and amortization	(25,916,366)	(27,200,670)	(28,010,141)
Property and equipment in service, net	4,995,131	4,834,747	4,668,166
Construction in progress:			
Wind farm development	131,149	358,156	608,273
Solar module manufacturing line	2,095,016	2,095,016	495,016
Plant equipment and other	875,491	134,263	127,515
Total construction in progress	3,101,656	2,587,435	1,230,804
Property and equipment, net	$ 8,096,787	$ 7,422,182	$ 5,898,970

Total depreciation expense on property and equipment for the years ended April 30, 2009, 2010 and 2011 and for the eight months ended December 31, 2011 was $1.8 million, $1.3 million, $1.3 million, and $0.8 million, respectively.

During the year ended April 30, 2011, we capitalized $1.2 million of construction related activities on the Spring Bay wind farm project that was scheduled to be operational in April 2011; however, project activities on the wind farm were suspended near the end of calendar 2010 due to a lack of sufficient capital to complete the project and the project was abandoned. As a result of the abandonment, we recognized a charge of $1.0 million for the year ended April 30, 2011 in the Renewable Energy reporting segment for the impairment of long-lived assets related to the project, of which $0.8 million was associated with construction in progress. The impairment was based on construction related costs and fees incurred to date that were considered non-recoverable as a result of the abandonment of the project.

In March 2011, we finalized a loan commitment of up to $4.4 million with the California Energy Commission (CEC) under the CEC's Clean Energy Business Financing Program. The potential loan proceeds were intended to be used by Quantum Solar to equip a full, vertically-integrated solar panel assembly facility in Irvine, California. However, on September 2, 2011, we submitted a withdrawal notice to the CEC pertaining to the loan commitment in connection with our determination that due to market conditions, the development of such a full scale solar panel assembly facility was no longer economical. In connection with our determination to suspend the proposed full-scale solar panel assembly facility in California and withdrawal from CEC's Clean Energy Business Financing Program, we recognized total impairment charges of $1.6 million for the eight months ended December 31, 2011 related to the solar module manufacturing line.

Goodwill and Intangible Asset

The changes in goodwill and intangible asset by reportable segment for the periods presented are as follows:

	Goodwill			Intangible Asset
	Fuel Systems Segment	Renewable Energy Segment(1)	Goodwill Total	Renewable Energy Segment(1)
Balance as of April 30, 2008	$ 30,400,000	$ —	$ 30,400,000	$ —
Activity during period	—	—	—	—
Balance as of April 30, 2009	30,400,000	—	30,400,000	—
Acquisition of Schneider Power on April 16, 2010	—	2,464,925	2,464,925	8,613,000
Amortization for period	—	—	—	(16,498)
Foreign currency translation	—	(6,011)	(6,011)	(20,984)
Balance as of April 30, 2010	30,400,000	2,458,914	32,858,914	8,575,518
Increase in estimated liabilities acquired in connection with acquisition	—	59,893	59,893	—
Amortization for period	—	—	—	(428,144)
Foreign currency translation	—	144,201	144,201	466,270
Balance as of April 30, 2011	30,400,000	2,663,008	33,063,008	8,613,644
Impairment recorded at October 31, 2011	—	(2,530,218)	(2,530,218)	(4,998,900)
Impairment recorded at December 31, 2011	(18,000,000)	—	(18,000,000)	—
Amortization for period	—	—	—	(243,265)
Foreign currency translation	—	(132,790)	(132,790)	(489,881)
Balance as of December 31, 2011	$ 12,400,000	$ —	$ 12,400,000	$ 2,881,598

(1) The Renewable Energy Segment was created upon the acquisition of Schneider Power on April 16, 2010.

In connection with the acquisition of Schneider Power in April 2010, we initially identified $8.6 million of intangible project assets associated with Schneider Power's renewable energy portfolio and $2.5 million of implied goodwill that we have reported in our Renewable Energy reporting segment. The intangible asset, net of an impairment charge discussed below, is being amortized over its estimated useful life on a straight-line basis of 20 years. The estimated amortization expense for the intangible asset in each of the next five years is $0.2 million in calendar years 2012 through 2016 and is $1.9 million thereafter.

Although the long-term prospects for renewable energy remain attractive, both the solar and wind industries are being affected by short-term economic variables, changing industry dynamics and uncertain parameters relating to pricing, government policies and overall supply/demand issues. In addition to industry wide factors, we have been unable to sufficiently fund the development of certain Schneider Power renewable energy projects at a level that we had originally expected to. Currently, we intend to move forward on developing a limited number of renewable energy projects over the foreseeable future, subject to our ability to obtain sufficient equity or debt project financing to fund such development. As a result of these factors, we initiated an impairment assessment of Schneider Power's intangible and goodwill assets and recognized estimated impairment charges of $7.5 million as of October 31, 2011, of which $2.5 million related to goodwill and $5.0 million related to the intangible asset in "Amortization and impairment of long-lived assets" in the Consolidated Statements of Operations. We completed our assessment of Schneider Power's goodwill and intangible assets effective as of December 31, 2011 which did not result in any changes to our previous estimates.

Due to a decline in our market capitalization that occurred late in the 2011 calendar year, we also initiated a detailed assessment of the fair value of our Electric Drive & Fuel Systems reporting unit and determined the carrying value exceeded its fair value and, as a result, concluded the fair value of the reporting unit no longer supported the full carrying amount of its goodwill. We completed our assessment of the Electric Drive & Fuel Systems reporting unit effective as of December 31, 2011 and recognized an impairment charge of $18.0 million to partially write down the reporting unit's goodwill.

Under GAAP, the amount of the goodwill impairment charge is determined by first allocating, for assessment purposes only, the overall fair value of the reporting unit to each of the recorded net tangible assets and liabilities of the reporting unit and to any potential unrecorded intangible assets of the reporting unit. Any excess of fair value of the reporting unit not allocated to net tangible and intangible assets is then considered to be the amount of implied goodwill. The amount of implied goodwill is then compared to its recorded carrying value and an impairment charge is recognized by an amount equal to any excess of carrying value over the amount of implied goodwill. Valuation specialists are used to assist us in connection with our assessments.

Subject to the impairments recognized for certain assets discussed above, we believe that no event or circumstance exists that would indicate a potential impairment of the remaining reported carrying values of property and equipment, goodwill, intangible assets, or any other significant long-lived asset as of December 31, 2011.

8. Facility Exit Obligation

On June 29, 2011, we entered into a sublease agreement with an unrelated third party for one of our facilities located in Lake Forest, California, consisting of approximately 62,000 square feet. The term of the sublease commenced on July 1, 2011 and expires on May 31, 2015. Except as set forth in the sublease agreement, the sublease agreement does not modify or limit the terms and conditions of lease agreement for that facility. As of June 30, 2011, the remaining obligations under our lease agreement were estimated to exceed the base rent we will receive under the sublease by $2.2 million. Since we will continue to incur costs in excess of the base rent we will receive under the sublease for the remaining term of our lease agreement for that facility without realizing any economic benefit, we initially recognized a liability of $1.7 million as of the cease-use date (June 29, 2011), which represents the fair value of the excess lease costs and certain other transaction costs. The fair value of the future net cash flows was determined assuming a credit-adjusted risk-free rate of 15.0%. Included in selling, general and administrative costs on the accompanying consolidated statement of operations for the eight months ended December 31, 2011 are charges of $1.8 million associated with the obligation.

The activity under the facility exit obligation for the eight month period ended December 31, 2011 is as follows:

Facility exit obligation recognized as of cease-use date	$ 1,745,671
Transactions after cease-use date:	
Payments made to landlord under master lease agreement	(403,340)
Transaction and other costs	(82,313)
Rents and deposits received under sublease agreement	56,712
Accretion of fair value discount recognized due to passage of time	102,849
Facility exit obligation, current and non-current	1,419,579
Less: current portion	(327,168)
Facility exit obligation, non-current	$ 1,092,411

9. Warranties

We offer a warranty for production level component parts and alternative fuel products that are shipped to Fisker Automotive, General Motors and other OEMs. The specific terms and conditions of those warranties vary depending on the contractual provisions and the platform and model year; however, warranty is generally provided for under terms similar to those offered by the OEM to its customers. We estimate the costs that may be incurred under our warranty provisions and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect our warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim.

We generally disclaim all warranties on our prototype component parts and systems. At our discretion or under certain programs, we may provide for the replacement cost or perform additional tests of prototype component parts subsequent to product delivery. We include an estimate of these types of arrangements as part of our warranty liability. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Changes in our product warranty liability for continuing operations are as follows (in thousands):

	Balance at Beginning of Year	Warranties Issued	Settlements Made(1)	Changes in Liability for Pre-Existing Warranties	Balance at End of Year
Twelve months ended April 30, 2009	$666	$ 20	$(420)	$ (43)	$223
Twelve months ended April 30, 2010	223	312	(474)	29	90
Twelve months ended April 30, 2011	90	56	(41)	(57)	48
Eight months ended December 31, 2011	48	272	(2)	—	318

(1) Consists of material and labor costs incurred to repair or replace products under warranty contracts.

10. Debt Obligations

Our debt obligations consist of the following:

	April 30, 2010	April 30, 2011	December 31, 2011
Obligations to Senior Lender:			
Senior Convertible Notes: $10,757,337 principal, $406,716 accrued interest and $617,947 of unamortized premium in April 2010; $11,953,981 principal and $373,357 accrued interest in April 2011	$11,782,000	$ 12,327,338	$ —
Term Note B	5,558,684	1,808,684	—
Consent Fee Term Note: $3,000,000 principal less discount of $132,000 in April 2010; $3,000,000 principal in April 2011; $2,390,000 principal and $5,955 accrued interest in December 2011	2,868,000	3,000,000	2,395,955
Non-Revolving Line of Credit: originated in January 2011 and repaid / terminated in February 2011	—	—	—
Obligations to Other Creditors:			
2010 Bridge Term Notes: originated in October 2010 and matured in April 2011	—	—	—
May 2011 Bridge Term Notes: originated in May 2011 and matured in September 2011	—	—	—
August 2011 Bridge Term Notes: $1,150,000 principal, $61,210 accrued interest, less $33,631 debt discount in December 2011	—	—	1,177,579
Unsecured "A" Convertible Notes: $3,811,900 principal, $90,430 accrued interest, less $2,676,249 debt discount in December 2011	—	—	1,226,081
Unsecured "B" Convertible Notes: $3,950,000 principal, $76,139 accrued interest, less $1,323,711 debt discount in December 2011	—	—	2,702,428
Bank Term Loan	1,302,312	1,303,880	1,162,348
Other obligations	142,175	294,178	63,149
debt obligations, current and non-current	21,653,171	18,734,080	8,727,540
Less current maturities	(519,243)	(18,530,762)	(8,689,380)
Debt obligations, non-current	$21,133,928	$ 203,318	$ 38,160

We have entered into various borrowing arrangements with our senior secured lender and other unsecured lenders over the course of the periods presented in the accompanying consolidated financial statements. These arrangements have been modified on several occasions throughout this period as discussed below in order to enhance our borrowing capacity and to minimize the level of cash required to service the outstanding obligations over a reasonable period of time.

Eight Month Period Ended December 31, 2011

The following disclosures reflect the status of borrowing arrangements on an instrument by instrument basis as they existed at the beginning of the Transition Period and provide a summary of significant payment and other activities related to outstanding debt instruments during the eight months ended December 31, 2011.

Senior Convertible Notes

We have three outstanding convertible promissory notes which we refer to as Convertible Note I (initially issued on January 31, 2007), Convertible Note II (initially issued on July 10, 2009), and Convertible Note III (initially issued on July 10, 2009). We refer to these three convertible notes collectively as the Senior Convertible Notes. Each of the Senior Convertible Notes has identical contractual terms.

The significant contractual terms of the Senior Convertible notes as of April 30, 2011 were as follows: (i) annual fixed interest rate of 9.5%, (ii) scheduled semi-annual interest payment date on July 1, 2011, payable at our option in cash or by adding to principal, (iii) scheduled maturity date of August 31, 2011 and no right to prepay prior to maturity, and (iv) a conversion price of $9.80 per share. During the period from April 30, 2010 through August 31, 2011, we classified the value, if any, of the embedded conversion features of the notes as equity.

On July 1, 2011, we elected to add the entire $563,147 of accrued interest to the principal.

On August 31, 2011, we and our senior lender entered into an Agreement and Amendment pursuant to which we agreed to amend the terms of the Senior Convertible Notes and the Consent Fee Term Note (discussed below). The material amendments to the Senior Convertible Notes were as follows: (i) the maturity dates were extended from August 31, 2011 to October 31, 2011, (ii) the repayment terms were amended such that $2.0 million of the principal was due and payable on September 9, 2011 and the balance was due and payable on October 31, 2011, and (iii) we were given the right to prepay all or part of the Senior Convertible Notes upon 30 days prior written notice. In consideration for the senior lender's execution of the Amendment and Agreement, we issued 500,000 shares of our common stock to the senior lender and agreed to adjust the conversion price from $9.80 per share to $3.31 per share effective September 1, 2011.

The Agreement and Amendment contained a provision that provided that under no circumstances can we issue to the senior lender on an aggregate basis, upon conversion of the Senior Convertible Notes or in satisfaction of payment demands made under the Consent Fee Term Note, shares constituting more than 19.99% of our issued and outstanding shares immediately prior to the execution of the Agreement and Amendment (Share Cap Limitation). It further provided that in the event that the senior lender attempted to make a conversion under the Senior Convertible Notes but was unable to effect all or part of such conversion because of the Share Cap Limitation, we would have been obligated to pay the senior lender an amount in cash equal to the product of (a) the number of shares that would have been issued if not for the Share Cap Limitation in excess of the Share Cap Limitation, and (b) the lesser of (i) the volume weighted average price (VWAP) of our common stock for the three consecutive trading days ending on the trading day immediately preceding the effective date of such conversion, and (ii) $4.50.

Since the modifications to the Senior Convertible Notes and Consent Fee Term Note resulting from the Agreement and Amendment were negotiated at the same time, we assessed the impact of the modifications on our portfolio of debt instruments with our senior lender as a whole and each of the debt instruments on an individual basis. Although we determined that the senior lender did not provide a concession in connection with the transactions and that the modifications to the existing debt portfolio as a whole were not substantial, we concluded on an individual basis that the modifications to the Senior Convertible Notes were substantial and represented an implied exchange of the existing convertible notes with new convertible notes. As a result, we recognized a net loss on extinguishment of $2,550,583, of which $1,640,000 represented the fair value of the shares issued to the senior lender on the transaction date and $910,583 represented the loss on the implied replacement of the debt instruments.

After giving effect to the modifications resulting from the Agreement and Amendment, we thereafter considered the embedded conversion features contained within the Senior Convertible Notes to be derivative instruments as the conversion features could have been settled in cash. Accordingly, we bifurcated the embedded conversion features from the host instruments at fair value, classified these financial derivative instruments as current liabilities, and recognized the changes in their fair values since the date of the amendment in the statement of operations (see Note 11). In addition, we recorded a combined debt discount of $0.2 million that was amortized over the then scheduled life of the amended Senior Convertible Notes.

On September 9, 2011 and October 27, 2011, we made a cumulative total of $2.7 million of principal payments in cash on the Senior Convertible Notes.

On November 2, 2011, we and our senior lender again amended the Senior Convertible Notes which extended the scheduled maturity dates to December 15, 2011, which resulted in additional consideration given to the senior lender of $9,000 for this extension.

On December 21, 2011, we used the net proceeds from the public offering transaction that was completed on that date along with other available working capital to repay the remaining $10.0 million of outstanding principal and accrued interest under the Senior Convertible Notes in cash.

Term Note B

From May 1, 2011 through June 7, 2011, the date that the Term Note B was repaid in full, the significant contractual terms of Term Note B that was initially issued on January 16, 2008 were as follows: (i) fixed interest rate of 6.5% payable monthly in arrears, (ii) scheduled maturity date of January 16, 2015, (iii) the note had no scheduled principal amortization payments before maturity; however, our senior lender with proper notice had the option to demand all or part of the principal amount due under the note at any time, (iv) the note could be repaid in cash or restricted shares at our option, subject to certain conditions, including that our share price must have been at least $10.00 for five consecutive business days prior to the payment date; however, this specific condition was only applicable for principal demands made by the senior lender after January 16, 2012, (v) we had the right to make prepayments under the note beginning on January 16, 2012 (the "First Call Date"), and (vi) when demand for payment or a prepayment was made, the principal amount due under Term Note B was subject to upward adjustment based upon the VWAP for our common stock for the five business days immediately prior to the repayment date (the "VWAP Price"). When demand for payment was made by the senior lender, the actual amount required to be paid in satisfaction of the amount so demanded was equal to the greater of (A) 1.0 and (B) 0.075 multiplied by the lesser of (x) the VWAP for our common stock for the five business days immediately prior to the repayment date and (y) $70.00. We referred to the required formula as the Term Note B principal multiplier feature.

During the period from May 12, 2011 through May 23, 2011 the senior lender made payment demands, totaling $1.8 million. For each payment demand, we exercised our contractual right to satisfy the demand using shares of our common stock, and issued a total of 399,416 shares to satisfy the principal repayment demands, with the final delivery of shares occurring on June 7, 2011. The number of shares that we issued in connection with each demand was determined based on a contractual formula. The contractual formula had no intrinsic value when the demands for payment were made as the amount payable would have only increased above the face value of the principal demanded if our VWAP Price would have been above $13.20 per share. The payment of the principal demands in shares resulted in an overall loss of $41,774 for the eight month period ended December 31, 2011, which represented the difference between the fair value of the shares delivered and the amount of principal settled.

Term Note B had characteristics of and acted consistent with the types of debt securities generally considered to be convertible debt instruments primarily as a result of the embedded principal multiplier feature which provided the senior lender with potential additional value for their investment in connection with increases in our share price in a manner consistent with conversion features under typical convertible note instruments. Further, the share settlement provisions and below market interest rate structure of Term Note B was consistent with convertible debt instruments. As such, we considered the note to be a convertible debt instrument in applying applicable accounting guidance.

Consent Fee Term Note

Pursuant to the terms of our credit agreement with our senior lender, we were required to obtain the senior lender's consent to our acquisition of Schneider Power. On November 24, 2009, our senior lender agreed to give its consent to the acquisition in exchange for a fee of $3.0 million unless the acquisition was not completed, in which case, the fee would have automatically been reduced to $1.5 million. The consent fee was paid by our delivery of the Consent Fee Term Note on November 24, 2009.

At April 30, 2011 the significant contractual terms of the Consent Fee Term Note were as follows: (i) note accrues interest at 6.0% per annum, (ii) scheduled maturity date of January 16, 2015, (iii) payable on demand but demand could only be made prior to July 31, 2011 if the volume-weighted average price per share (VWAP) of our common stock for the five business days preceding a payment demand was above $10.00, (iv) we had the option to settle payment demands in cash or stock, subject to certain conditions, including that our share price must have been at least $10.00 for five consecutive business days prior to the payment date, (v) we had the right to make prepayments under the note beginning after January 16, 2012, and (vi) when a demand for payment or a prepayment is made, the actual amount due with respect to such demand or prepayment was subject to upward adjustment based upon the VWAP for our common stock for the five business days immediately prior to the repayment date, as follows: the greater of (a) the amount so demanded or called and (b) that amount determined by multiplying the principal amount so demanded or called by 0.04, with that product then multiplied by the lesser of (x) the VWAP Price and (y) $50.00. We refer to the payment amount formula discussed in the preceding sentence as the Consent Fee Term Note principal multiplier feature. If we elected to pay in stock, then the number of shares to be issued was equal to the actual amount required to be paid (determined in accordance with the above formula) divided by the VWAP price. Based on the foregoing formula, the principal multiplier only increases the amount payable above the face value of the note (i.e. has "intrinsic value") if our VWAP price is above $25.00 per share.

Pursuant to the term of the Agreement and Amendment executed on August 31, 2011, the Consent Fee Term Note was amended. The material amendments were as follows: (i) our right to satisfy payment demands using shares of our common stock was amended to provide that we can exercise such right if the VWAP of our common stock for the three consecutive trading day period prior to the date a payment demand is made was greater than $2.00, (ii) the senior lender's right to make payment demands was amended so that no payment demands could be made prior to October 31, 2011 unless our VWAP was greater than $2.00, (iii) we were given the right to prepay in cash all or part of the Consent Fee Term Note, and (iv) any shares issued to satisfy principal repayments must be listed on the Nasdaq Global Market.

The Consent Fee Term Note is considered a convertible debt instrument in applying applicable accounting guidance. From April 16, 2010 (the date we completed the acquisition of Schneider Power and the principal amount was fixed at $3.0 million) through August 31, 2011, we classified the value, if any, of the embedded principal multiplier feature as equity.

We concluded that the modifications to the Consent Fee Term Note on August 31, 2011 were not substantial and did not represent an implied exchange of the existing note instrument with a new debt instrument. However, we determined that the embedded principal multiplier feature contained within the note should be considered a derivative instrument, bifurcated from the host instrument at fair value, reclassified from equity to a current liability, with the change in fair value since the date of the amendment being recognized in the statement of operations (see Note 11).

During the Transition Period, we made cash payments totaling $0.6 million against the principal amount under the Consent Fee Term Note (also, see Note 21).

As of December 31, 2011, the minimum amount of principal that is payable through the maturity date under the principal multiplier feature was $2.4 million and the maximum amount of principal that was potentially payable under the principal multiplier feature was $4.8 million (assuming that the VWAP Price is at or above $50.00). The principal multiplier feature under the note did not have any intrinsic value as of this date.

May 2011 Bridge Term Notes

On May 9, 2011 and May 20, 2011, we received cumulative gross proceeds of $1.5 million from the sale of 15% senior subordinated promissory notes and warrants to purchase up to 168,768 shares of our common stock in a private placement transaction with accredited investors (collectively, the May 2011 Bridge Term Notes). The warrants have a term of three years and a fixed exercise price of $2.92. The significant terms of the May 2011 Bridge Term Notes were as follows: (i) scheduled maturity dates of September 30, 2011, (ii) interest at 15.0% per annum, payable in cash upon maturity, (iii) principal payable in cash and could not be prepaid, (iv) no conversion rights, and (v) notes subordinate to outstanding obligations under debt instruments held by our senior lender.

We incurred direct issuance costs of $0.1 million in connection with the transaction, of which a portion was deferred and expensed over the term of the notes and the remaining amount was attributed to the warrants and recognized as a reduction to additional paid-in-capital (see Note 12). In addition, we recorded a combined debt discount of $0.3 million that was amortized over the scheduled term of the notes. The principal and accrued interest under the May 2011 Bridge Term Notes was fully repaid in cash on September 30, 2011.

August 2011 Bridge Term Notes

On August 23, 2011, we received cumulative gross proceeds of $1.2 million from the sale of 15% senior subordinated promissory notes and warrants to purchase up to 115,000 shares of our common stock in a private placement transaction with accredited investors (the August 2011 Bridge Term Notes). The warrants have a term of five years and a fixed exercise price of $3.85. The significant terms of the August 2011 Bridge Term Notes on the origination date were as follows: (i) scheduled maturity date of January 31, 2012, (ii) interest at 15.0% per annum, payable in cash upon maturity, (iii) principal payable in cash and cannot be prepaid, (iv) no conversion rights, and (v) notes subordinate to outstanding obligations under debt instruments held by our senior lender.

We incurred direct issuance costs of $0.1 million, of which a portion was deferred and amortized over the term of the notes and the remaining amount was attributed to the warrants and recognized as a reduction to additional paid-in-capital. In addition, we recorded a debt discount of $0.2 million on the origination date of the August 2011 Bridge Term Notes that is being amortized over the term of the notes. See Note 21.

Unsecured "A" Convertible Notes

On September 29, 2011 and October 12, 2011, we received cumulative gross proceeds of $3.8 million from the sale of 10.0% unsecured convertible promissory notes (the Unsecured "A" Convertible Notes) and warrants. We received gross proceeds of $1,949,500 in connection with the close on September 29 and $1,862,400 in connection with the close on October 12. The investors from the September 29 close received warrants to purchase up to 550,703 shares of our common stock and the investors from the October 12 close received warrants to purchase up to 564,348 shares of our common stock.

The holders of the Unsecured "A" Convertible Notes had the right at any time to convert all or part of the outstanding principal amount into shares of our common stock at a fixed conversion price of $2.124 per share for the September 29 investors and $1.9800 per share for the October 12 investors. In accordance with certain provisions under the convertible notes, the maturity date was contractually set as March 20, 2012, which was ninety days following the closing of our registered public offering that closed on December 21, 2011. The principal and accrued interest under the Unsecured "A" Convertible Notes was fully repaid in cash on March 20, 2012.

We and the investors also entered into a Registration Rights Agreement pursuant to which we agreed to file a registration statement within 30 calendar days of the final closing (the "Required Filing Date") to register the resale of the shares of common stock issuable upon conversion of the Unsecured "A" Convertible Notes and exercise of the warrants. We also agreed to use our best efforts to: (i) cause the registration statement to be declared effective on a timely basis and (ii) to maintain the effectiveness of the registration statement in the future.

We determined that the warrant contracts issued in connection with the private placement should be classified as derivative liabilities as a result of contingent exercise price reset provisions. Accordingly, we allocated a portion of the proceeds to the warrants equal to the fair value of the warrants on the respective issuance dates of $868,000 for the September 29 warrants and $826,000 for the October 12 warrants. We mark to market the warrant contracts and recognize the changes in fair value of these financial instruments in the statement of operations (see Note 11). The remaining proceeds were allocated on a residual basis to the debt instruments. We then allocated a value of $1,081,500 for the September 29 closing and $1,032,909 for the October 12 closing associated with the implied beneficial conversion features which are classified as additional paid-in-capital to account for the intrinsic value of the embedded conversion features contained within the Unsecured "A" Convertible Notes. These allocations resulted in debt discounts of $1,949,500 and $1,858,909 being recognized in connection with the notes issued on September 29 and October 12, respectively, which are being amortized to interest expense over the scheduled lives of the notes.

We also incurred transaction fees of $593,429 in connection with the issuance of the notes and warrants of which $264,257 was allocated to the derivative warrants and recognized immediately and the remaining amount was allocated to equity as a reduction to additional paid-in-capital.

Unsecured "B" Convertible Notes

During the period of October 17, 2011 through November 15, 2011, we entered into private placement transactions with certain accredited investors for the purchase and sale of 10.0% unsecured convertible promissory notes (the Unsecured "B" Convertible Notes). We received gross proceeds of $3,950,000 from the offering and the investors also received warrants to purchase up to 1,531,195 shares of our common stock.

The holders of the Unsecured "B" Convertible Notes have the right at any time to convert all or part of the outstanding principal amount due under the notes into restricted shares of our common stock at a fixed conversion prices ranging from $2.7727 to $2.7832. The Unsecured "B" Convertible Notes mature one year from the respective dates of issuance. Interest is payable in cash on a quarterly basis. The Unsecured "B" Convertible Notes are subordinate in all respects to our obligations to our senior secured lender. We have the right to prepay all or part of the Unsecured "B" Convertible Notes at any time upon 30 days prior written notice. The exercise price for the warrants is $2.64 per share and is fixed. The warrants are not exercisable for six months and expire after five years.

We allocated the proceeds to the debt instruments and warrants on a relative fair value weighted basis. As such, we allocated a combined $1,272,000 to the warrants and a combined $2,678,000 to the debt instruments. We then allocated a combined value of $276,000 associated with the implied beneficial conversion features which are classified as additional paid-in-capital to account for the intrinsic value of the embedded conversion features contained within the Unsecured "B" Convertible Notes. These allocations resulted in a combined debt discount of $1,548,000 being recognized in connection with the notes which is being amortized to interest expense over the one year scheduled lives of the notes.

We also incurred transaction fees of $406,545 in connection with the issuance of the notes and warrants of which $246,903 was allocated to the carrying value of the debt which is being amortized to interest expense over the one year scheduled lives of the notes and the remaining amount was allocated to equity as a reduction to additional paid-in-capital.

Bank Term Loan

In connection with our acquisition of Schneider Power on April 16, 2010, we assumed a bank term loan that had an original principal amount of Canadian Dollar (CAD) 1.5 million upon its inception on April 3, 2007. The note accrues interest at a fixed rate of 7.0%; required fixed payments of CAD 13,482 per month in cash through March 10, 2012, with the remaining principal amount of CAD 1.2 million due in cash on the maturity date of April 3, 2012. The loan is secured by power generation machinery and equipment and other assets of Schneider Power Providence Bay wind farm project. The conversion rate of one CAD to one US Dollar was 0.995 to 1.0 as of April 30, 2010, 1.052 to 1.0 as of April 30, 2011 and 0.978 to 1.0 as of December 31, 2011.

Collateral and Covenants

Our remaining obligation under the debt instrument with our senior lender is secured by substantially all our assets. In addition, our obligations under the Bank Term Loan assumed on April 16, 2010 are secured by certain assets of Schneider Power. We were in compliance with existing covenants and other requirements of the debt instruments with our senior lender and our bank lender as of December 31, 2011.

Debt Maturities

The table below shows scheduled maturities of our long-term debt for each of the following twelve month periods until maturity:

	Scheduled Maturities	Net Amortization of Discount	Total Maturities of Long-Term Debt
Twelve months ending December 31:			
2012	$12,722,971	$(4,033,591)	$8,689,380
2013	21,641	—	21,641
2014	8,365	—	8,365
2015	8,154	—	8,154
	$12,761,131	$(4,033,591)	$8,727,540

Debt Obligation Activity in Prior Periods

The following summarizes the impact of significant modifications and other activities related to the debt instruments covering the years ended April 30, 2011, 2010 and 2009.

Year Ended April 30, 2011

Forbearance Agreement with Senior Lender

On December 31, 2010, we defaulted on the required repayment of the 2010 Bridge Loans, which in turn, caused contractual defaults on all of our senior secured obligations with our senior lender. Pursuant to the terms of the Convertible Notes, Term Note B and the Consent Fee Term Note, upon the occurrence of an event of default, our senior lender had the right to declare the entire amounts outstanding under these debt instruments immediately due and payable.

On January 3, 2011 and as a result of the defaults, we executed a Forbearance Agreement with our senior lender to which our senior lender agreed to forbear from accelerating the maturity dates for any portion of the senior secured obligations and from exercising any of its rights and remedies until April 30, 2011 (the "Forbearance Period"), subject to certain conditions, and we restructured our portfolio of debt instruments with our senior lender. The defaults under our agreements with our senior lender were cured and the Forbearance Agreement terminated in connection with us paying off the remaining principal and interest balance of the 2010 Bridge Notes (discussed below) on April 29, 2011.

In connection with the January 3, 2011 debt restructure, the Convertible Notes were modified to extend the maturity dates from July 31, 2011 to August 31, 2011 and the fixed conversion prices were reduced from $14.20 to $9.80; the unused Lender Commitment was terminated; the senior lender provided us with a new $5.0 million non-revolving line of credit; and we issued warrants to the senior lender to purchase up to 277,777 shares of our common stock at a fixed exercise price of $9.00.

We determined that the Forbearance Agreement and the restructure of the outstanding debt instruments that were all negotiated at the same time required that we assess the impact of the modifications and replacement instruments on the entire portfolio of debt instruments with our senior lender as a whole and the debt instruments on an individual basis. Although we determined that the lender did not provide a concession in connection with the transactions completed on January 3, 2011 and that the modifications to the existing debt portfolio as a whole was not substantial, we concluded on an individual basis that the modifications to the Convertible Notes (discussed further below) were substantial and represented an implied exchange of the existing convertible note instruments held by the senior lender with new convertible debt instruments. A net loss on extinguishment of $0.5 million was recognized in connection with the January 3, 2011 transactions as follows:

Modification and replacement of Convertible Notes	$ 1,392,149
Termination of Lender Commitment derivative	(2,635,000)
Issuance of warrants to senior lender attributable to instruments extinguished	1,320,570
Fee paid to senior lender attributable to instruments extinguished	38,499
Recognition of unamortized debt issuance costs on instruments extinguished	406,749
Loss on modification of debt and derivative instruments, net	$ 522,967

The net loss on extinguishment is recorded as a component of "loss on modification of debt and derivative instruments, net" on the accompanying consolidated statements of operations for the year ended April 30, 2011.

Senior Convertible Notes

The significant contractual terms of the Senior Convertible Notes as of April 30, 2010 were as follows: (i) annual fixed interest rates of 11.5% through August 31, 2010 (consisting of required minimum payments-in-kind (PIK) of 5.0% and cash or PIK options of 6.5%), declining to 9.5% thereafter as a result of scheduled decreases in the required minimum PIK from 5.0 % to 3.0%, (ii) scheduled semi-annual interest payment dates on January 1 and July 1 of each year until maturity and the principal under the notes could not be prepaid in part or whole by us without consent of our senior lender, (iii) scheduled maturity dates of March 31, 2011, (iv) senior lender had the right to extend the scheduled maturity dates to August 31, 2013, subject to proper notice by March 15, 2011, and (v) outstanding principal under the Senior Convertible Notes convertible into shares of our common stock at a fixed conversion price of $14.20 per share at any time until maturity at the option of the senior lender.

On July 8, 2010, the Senior Convertible Notes and the Consent Fee Term Note were amended in exchange for a debt modification fee payable to the senior lender. We satisfied the debt modification fee with the issuance of 83,000 shares of our common stock to the senior lender that had a fair value of $0.9 million on the modification date and recorded the fair value of the fee as a deferred asset. The Senior Convertible Notes were revised to amend the stated maturity dates from March 31, 2011 to July 31, 2011. We determined that the amendments to the Senior Convertible Notes on July 8, 2010 were not substantial and did not represent an implied exchange of debt instruments. However, we reduced the balances of the unamortized debt premiums under the Senior Convertible Notes as of July 8, 2010 by approximately $0.1 million, which equaled the immediate increase in fair value of the embedded conversion features under the Senior Convertible Notes as a result of the modifications. The net balances of the debt premiums and the fair value of the debt modification fee allocated to the Senior Convertible Notes were being amortized through the then scheduled maturity date of July 31, 2011 until the remaining unamortized balances were written off on January 3, 2011 in connection with further modifications to the Senior Convertible Notes.

On January 3, 2011, in connection with the Forbearance Agreement discussed above, the following modifications were made to the convertible notes: (i) the maturity dates were changed from July 31, 2011 to August 31, 2011, (ii) the fixed conversion prices were reduced from $14.20 to $9.80, and (iii) the date that the senior lender had to provide proper notice to extend the scheduled maturity dates at its option to August 31, 2013, was changed from March 15, 2011 to April 15, 2011. We accounted for the modifications as an implied exchange of the existing debt instruments associated with the Senior Convertible Notes with new debt instruments which resulted in a charge of $1.4 million that is included as part of the net loss on extinguishment representing the difference between the carrying amount of the existing notes and the fair value of the modified notes at the time of extinguishment.

On July 1, 2010 and January 1, 2011, we elected to add the entire amount of accrued interest of $0.6 million and $0.6 million, respectively, to principal under the Convertible Notes that was payable on the scheduled semi-annual interest payment date in accordance with the PIK provisions contained within the notes.

Term Note B

From April 30, 2010 through April 30, 2011, the significant contractual terms of Term Note B were the same as described above for the Transition Period.

Beginning on January 19, 2011, the principal balance was reduced by a total of $3.8 million in connection with demands made through April 30, 2011. For each demand, we elected to use our shares to satisfy the principal demands. We issued a total of 817,805 shares were issued. The number of shares that we issued in connection with each demand was equal to the actual amount required to be paid divided by the VWAP Price, which ranged from $3.05 to $9.37 per share for each of the demands made. Based on the formula discussed above, the principal multiplier had no intrinsic value for any of the demands made by the senior lender as the amount payable would have only increased above the face value of the principal demanded if our VWAP Price would have been above $13.20 per share. The payment of the principal demands in shares resulted in an overall gain of $0.1 million for the year ended April 30, 2011, which represented the difference between the fair value of the shares delivered and the amount of principal settled.

Consent Fee Term Note

On July 8, 2010, the earliest date specified in the original Consent Fee Term Note that the senior lender could make a demand if our VWAP Price was below $10.00 was amended from March 31, 2011 to July 31, 2011. We determined that there was no change in the fair value of the embedded principal multiplier as a result of the debt modification and determined that the amendment to the Consent Fee Term Note was not substantial and did not represent an implied exchange of debt instruments.

A debt discount, initially recognized at $0.5 million upon the issuance of the note in November 2009, was fully amortized through July 1, 2010 which was the first possible date that the senior lender could demand repayment of the note under the original terms of the note.

Non-Revolving Line of Credit

On January 3, 2011 and in connection with the execution of the Forbearance Agreement and the debt restructure with our senior lender, our senior lender agreed to provide us with a new $5.0 million non-revolving line of credit (the "LOC"). The original terms under the LOC were as follows: (i) we could request advances on the line at any time prior to April 30, 2011; (ii) outstanding advances would not bear interest (unless an event of default occurs, in which case the interest rate would be 10% per annum); (iii) the LOC would mature on April 30, 2011; (iv) advances under the LOC were secured by substantially all of our assets; and (v) pursuant to the terms of the Forbearance Agreement, we were precluded from using the proceeds from the LOC to pay any portion of the principal and interest due under the 2010 Bridge Notes.

We received $2.5 million in advances under the LOC on January 10, 2011. Our senior lender participated in the private placement that we completed on February 18, 2011 and purchased $2.0 million of our securities. The senior lender's $2.0 million of purchase price was satisfied by reducing, on a dollar-for-dollar basis, a portion of the balance due under the LOC. Concurrent with the closing of the February 2011 private placement, the LOC and our ability to request advances thereunder was terminated.

As a result of the senior lender's participation in the February 2011 private placement, a loss of $1.6 million on settlement of debt and derivative instruments held by the senior lender was recognized as follows:

Fair value of shares issued to senior lender	$ 2,355,034
Fair value of warrants classified as equity issued to senior lender	717,000
Fair value of warrants classified as derivatives issued to senior lender	379,000
Increase in fair value of warrants dated January 3, 2011 modified in connection with settlement	21,000
Total consideration to senior lender	3,472,034
Principal settled under Line of Credit	(2,000,000)
Fair value of warrants classified as derivatives cancelled	(157,000)
Debt discount and deferred debt issuance costs recognized	141,807
Carrying value of debt and derivatives settled, net	(2,015,193)
Transaction costs recognized in connection with settlements	154,752
Loss on settlement of debt and derivative instruments, net	$ 1,611,593

On February 25, 2011, we used a portion of the cash proceeds received in the private placement to repay the remaining $0.5 million balance under the LOC. A debt discount, initially recognized at $0.3 million upon the execution of the LOC on January 3, 2011, was being amortized through the then scheduled maturity date of April 30, 2011 until the remaining unamortized balance was written off on February 25, 2011 in connection with the termination of the LOC.

2010 Bridge Term Notes

On October 13, 2010 and October 19, 2010, we received total cumulative gross proceeds of $4.0 million in connection with the closing of a private placement transaction with certain accredited investors in exchange for issuing senior subordinated bridge notes payable (collectively, the "2010 Bridge Notes") and warrants to the investors. The significant terms of the 2010 Bridge Notes on the origination dates were as follows: (i) scheduled maturity dates of December 31, 2010, (ii) interest at 15.0% per annum, payable in cash upon maturity, (iii) principal payable in cash and could not be prepaid, (iv) no conversion rights by note holders, and (v) notes were subordinate to outstanding obligations under debt instruments held by our senior lender.

We incurred direct issuance costs of $0.7 million in connection with the private placement transaction of which we allocated $0.6 million to the 2010 Bridge Notes which was amortized to interest expense over the scheduled life of the notes of December 31, 2010 with the remaining $0.1 million allocated to the warrants issued to the investors of the 2010 Bridge Notes (see Note 12). In addition, we recorded a debt discount on the origination date of the 2010 Bridge Notes equal to the fair value of the warrants issued with the 2010 Bridge Notes of $0.2 million that was amortized through December 31, 2010.

On December 31, 2010, we defaulted in payment of certain principal and accrued interest due under the 2010 Bridge Notes (the "Bridge Notes Default").

On January 18, 2011, we and each of the holders of the 2010 Bridge Notes entered into an amendment to the 2010 Bridge Notes, which cured the Bridge Notes Default. Pursuant to the terms of the amendments to the 2010 Bridge Notes which are dated January 12, 2011, we agreed to repay the principal and interest in three installments as follows: (i) 25% of the original principal amount was paid in cash upon execution of the amendments, (ii) 35% of the original principal was paid in cash on February 15, 2011, and (iii) the remaining principal and accrued interest in the amount of $1.9 million was paid in cash on April 29, 2011. Although the holders of the 2010 Bridge Notes had the option to elect to receive the final payment in cash or shares of our common stock, none of the holders elected to receive shares. If a holder had elected to receive shares, the holder was entitled to receive a cash "make-whole" payment, which, when added to the value of the shares so received, would have equaled the full amount of the remaining outstanding principal and interest due to the holder on April 29, 2011. The holder's option to receive the final principal and accrued interest payment in cash or shares was determined to be an embedded derivative instrument that should be bifurcated and separately accounted for as of the amendment date. The fair value of the conversion feature at January 18, 2011 was $0.1 million (see Note 11).

In connection with the amendment to the 2010 Bridge Notes on January 18, 2011, we issued warrants to the bridge note holders, with an effective date of January 12, 2011, to purchase up to 131,902 shares of our common stock at a fixed exercise price of $9.20, with a fair value of $0.8 million, and we agreed to issue up to 22,500 shares of our common stock, with a fair value of $0.2 million, to the placement agent for professional services in connection with the 2010 Bridge Note amendments.

We concluded from our analysis of the transactions completed on January 18, 2011 that amended the terms of the 2010 Bridge Notes, including the addition of a substantive conversion feature, and the issuance of warrants to the bridge note investors and the agreement to issue common shares to the placement agent that: (1) the bridge note holders did not provide a concession in connection with the transactions and (2) the modifications to the 2010 Bridge Notes were substantial and represented an implied exchange of the existing debt instruments held by the bridge note holders with new debt instruments. A loss on extinguishment of $1.0 million was recognized in connection with the January 18, 2011 transactions as follows:

Modification and replacement of the 2010 Bridge Notes	$176,392
Issuance of warrants to bridge note holders	814,000
Loss on modification of debt and derivative instruments, net	$990,392

The loss on extinguishment is recorded as a component of "loss on modification of debt and derivative instruments, net" on the accompanying consolidated statement of operations for the year ended April 30, 2011.

The portion of the debt issuance cost associated with the agreement to issue shares to the placement agent allocated to the debt component of the transactions, amounting to $0.2 million, was deferred and was amortized over the life of the amended 2010 Bridge Notes that matured on April 29, 2011.

Lender Commitment

On May 30, 2008, we secured a $10.0 million commitment from an affiliate of our senior lender (the "Lender Commitment") that allowed us to draw on the commitment at our option and also allowed the senior lender to fund the commitment at the senior lender's option under certain defined structures. The Lender Commitment was terminated on January 3, 2011 in connection with the Forbearance Agreement and debt restructure discussed above. Neither party had exercised its option prior to the termination of the commitment.

Prior to the termination, the option for either party under the Lender Commitment, as modified on November 24, 2009, was set to expire on March 31, 2011. The terms of the amended Lender Commitment from November 24, 2009 until it was terminated on January 3, 2011 were as follows: (a) if we had drawn on the commitment, the senior lender had the right to make the investment as either: (i) a two year secured convertible note, the conversion price fixed at $14.20 per share, with the coupon on the note equal to 18.0% or (ii) a senior secured straight note that redeemed in cash at 130% of face value after one year; (b) we had the right to only exercise up to $2.5 million in any 30 day period and we were required to provide the senior lender with a five day notice period of our intent to draw on the commitment; (c) in exchange for extending the commitment, the senior lender had a "put" option to make a $10.0 million investment that would have been structured as a non-interest bearing convertible note priced at 100.0% of par and redeemable at 120.0% of par two years after the funding date and the note under this structure would have converted into our common stock at a fixed conversion price of $14.20 per share.

The written put option, which had allowed the senior lender to make a $10.0 million cash payment to us in exchange for a debt instrument in the form of a convertible note, was considered to be a derivative instrument. Accordingly, the fair value of the instrument was recognized as a non-current derivative liability and marked to market each period (see Note 11) until it was terminated. We recognized a gain on extinguishment of the derivative instrument of $2.6 million which represented the fair value of the lender's put option at the time the Lender Commitment was terminated.

Year Ended April 30, 2010

Convertible Note I

At April 30, 2009, the significant contractual terms of Convertible Note I were as follows: (i) total annual interest rate of 11.5%, consisting of a required minimum PIK of 5.0% and a cash or PIK option of 6.5% and total annual interest rate reduction to 9.5% effective September 1, 2010, (ii) scheduled semi-annual interest payment dates on January 1 and July 1 of each year until maturity and the principal could not be prepaid in part or whole by us without consent of our senior lender (also referred to as the "holder"), (iii) scheduled maturity date of August 1, 2009, (iv) holder had the right to extend the scheduled maturity date, subject to proper notice by May 15, 2009, for an additional three years (if exercised, the required minimum PIK would have been thereafter lowered to 3.0%; thus reducing the annual interest rate to 9.5%), (v) outstanding principal under the note convertible into shares of our common stock at a fixed conversion price of $27.00 per share at any time until maturity at the option of the holder, and (vi) for conversions prior to the maturity date, additional shares to be provided to the holder pursuant to a "Make-Whole Amount" provision, a feature available to the holder as an incentive to convert all or part of the balance due under the note prior to its maturity.

The contractual provisions of Convertible Note I, as originally issued and including all amendments through April 30, 2010, also required us to (1) cause the shares delivered upon conversion of principal due under the Convertible Note I to be duly listed for trading on the Nasdaq Global Market (or any successor trading market) concurrently with the issuance of such shares and (2) ensure that the holder may resell such shares pursuant to Rule 144 of the Securities Act (subject to any applicable holding period). We determined that compliance with these contractual requirements was not within our control (for the period January 16, 2008 through April 30, 2010). Therefore, under GAAP, we had to assume net cash settlement could have been required to satisfy the value of the conversion feature as we could not ensure that we would be in compliance with the provisions at the time of conversion by the holder. As a result, the embedded conversion feature was bifurcated by us, classified as a derivative liability measured at fair value and the liability was marked to market each period, with changes in fair value recognized in the respective period's statement of operations until the note was modified on April 30, 2010 at which time the embedded conversion feature no longer met the definition of a derivative and was reclassified from debt to equity (discussed below).

On July 10, 2009, Convertible Note I was amended in connection with debt modifications to other existing debt instruments with our senior lender and additional financing received from the senior lender. The significant amendments were: (i) the conversion price was reset from $27.00 to $14.20 per share; (ii) the "Make-Whole Amount" provision was eliminated, (iii) the scheduled maturity date was extended from August 1, 2009 to August 31, 2010; and (iv) the holder of Convertible Note I was given the right to extend the scheduled maturity date (the similar right in the existing note had expired in May 2009) for an additional three years. If exercised, the required minimum PIK would thereafter be lowered to 3.0%; thus reducing the annual interest rate to 9.5%.

The modifications executed on July 10, 2009 immediately increased the value of the embedded derivative feature under Convertible Note I by $3.1 million which we recognized as a loss on modification of derivative instruments during the year ended April 30, 2010.

We determined that the amendments to Convertible Note I on July 10, 2009, in combination with modifications to other debt instruments that were negotiated together, were not substantial and did not represent an implied exchange of debt instruments. For purposes of this analysis, we excluded the impact that the modifications had on the embedded features accounted for as derivative instruments as the change in fair value of the derivative instruments resulting from the modifications was immediately recognized as a loss on modification of derivative instruments.

On November 24, 2009, Convertible Note I, together with Convertible Note II and Convertible Note III (discussed below), were amended to change the maturity dates from August 31, 2010 to March 31, 2011. All three of the convertible notes, referred to as the Senior Convertible Notes, thereafter had the same remaining contractual terms and provisions. We determined that the amendments to the Senior Convertible Notes on November 24, 2009, in combination with the issuance of new debt (see "Consent Fee Term Note" discussed below) and modifications to other debt instruments that were negotiated together, represented an implied exchange of debt instruments. As a result, we recognized a combined loss on modification of debt and derivative instruments of $5.1 million on November 24, 2009, of which $1.3 million represented the amount associated with the implied exchange of the Senior Convertible Notes.

On April 30, 2010 the Senior Convertible Notes and Term Note B were amended. The Senior Convertible Notes were amended to clarify that we would not be obligated under any circumstances to settle the value of the embedded conversion features of the notes in cash and that the exercise of the holder's conversion rights would be considered fully settled by the issuance of our shares (including "unregistered shares" and shares designated as "restricted"), regardless of any other characteristics of the shares. As a result of the modifications, the embedded conversion features no longer meet the definition of a derivative and the fair value of the conversion features were reclassified to equity effective as of the close of business on April 30, 2010 (see Note 11). We determined that the amendments to the Senior Convertible Notes and Term Note B on April 30, 2010 were not substantial and did not represent an implied exchange of debt instruments that would require extinguishment accounting on the modification date, nor did they change the fair value of the instruments by more than a nominal amount.

Term Note A / Convertible Note II

At April 30, 2009, the significant contractual terms of Term Note A (initially issued on January 31, 2007) were as follows: (i) fixed interest rate of 18.0% payable monthly in arrears, (ii) scheduled maturity date of February 28, 2010, (iii) principal installment payments of $4.3 million due on May 15, 2009 and monthly installments of $0.4 million, beginning on June 15, 2009 and thereafter, until the balance was paid in full, (iv) we had the right to prepay all or part of the principal without penalty and had the option to repay the scheduled principal amounts or prepayments in cash or with shares of our common stock, subject to certain conditions, and (v) we had the right to defer scheduled payments for up to two months, subject to certain conditions.

Although we had the ability and the right to make any prepayments of principal or satisfy any scheduled principal installments in shares under Term Note A, we and our senior lender agreed to defer the scheduled May 15, 2009 principal installment payment and agreed to retime the installment payments and reduce the stated interest rate from 18.0% to 9.0%. Pursuant to an amendment executed on May 27, 2009, principal installments were revised to require monthly payments of $1.0 million effective beginning on June 15, 2009 and thereafter, until the balance was paid in full and the change in the stated interest rate was made effective as of May 20, 2009. In addition, our right to prepay the note in shares was revised to thereafter require that any prepayments could only be made in cash and our existing right to defer scheduled installment payments for up to two months was eliminated. We determined that the amendments to Term Note A in May 2009 were not substantial and did not represent an implied exchange of debt instruments that would require extinguishment accounting on the modification dates.

On June 15, 2009 we issued 74,423 shares in satisfaction of a required payment of $1.1 million under Term Note A (which included $0.1 million of accrued interest).

On July 10, 2009 the outstanding principal balance and unpaid interest under Term Note A, amounting to $6.6 million, was reduced to zero and replaced in that same amount with a new convertible debt instrument referred to as Convertible Note II. The stated terms of Convertible Note II are identical to the terms of Convertible Note I, as amended. The replacement of the remaining balance on Term Note A with a new convertible note was executed in connection with debt modifications to other existing debt instruments with our senior lender and additional financing received from the senior lender.

Consistent with the treatment of the embedded conversion feature under Convertible Note I, the embedded conversion feature under Convertible Note II was bifurcated and classified as a derivative liability upon the issuance of the note up until the time the note was modified on April 30, 2010. The fair value of the derivative liability upon issuance, amounting to $2.9 million, was recognized by us as a loss on modification of derivative instruments during fiscal 2010.

Convertible Note III

On July 10, 2009, in connection with debt modifications to other existing debt instruments, we issued a new convertible note (Convertible Note III) to our senior lender and received proceeds of $3.0 million. The stated terms of Convertible Note III are identical to the terms of Convertible Note I, as amended, except that the maturity date would have moved up to October 1, 2009 from August 31, 2010 if we were unable to raise at least $5.0 million in an equity offering of our shares prior to October 1, 2009. We satisfied this requirement with the private placement offering transaction completed on September 4, 2009 in which proceeds from the transaction exceeded this required amount.

Consistent with the treatment of the embedded conversion features under Convertible Notes I and II, the embedded conversion feature under Convertible Note III was bifurcated and classified as a derivative liability upon the issuance of the note up until the time the note was modified on April 30, 2010. The fair value of the derivative liability upon issuance, amounting to $1.0 million (net of the implied discount on the host debt instrument of $0.3 million), was recognized as a loss on modification of derivative instruments during the year ended April 30, 2010.

Term Note B

At April 30, 2009, the significant contractual terms of Term Note B were as follows: (i) fixed interest rate of 6.5% payable monthly in arrears, (ii) scheduled maturity date of January 16, 2015, (iii) the note could be repaid in cash or shares at our option, subject to certain conditions, including that our share price must be at least $10.00 for five consecutive business days prior to the payment date (iv) the note had no scheduled principal amortization payments before maturity; however, our senior lender with proper notice had the option to demand all or part of the principal amount due under the note beginning on January 16, 2010, and (v) we had the right to make prepayments under the note beginning on January 17, 2010 (the "First Call Date").

On July 10, 2009, Term Note B was amended in conjunction with debt modifications to other existing debt instruments with our senior lender and additional financing received from the senior lender. The significant amendments were: (i) the requirement that our share price must be at least $10.00 for five consecutive business days prior to the payment date in order for us to have the right to issue shares in satisfaction of principal payments was changed to eliminate that requirement for any demands made prior to January 16, 2012, (ii) the First Call Date was changed from January 17, 2010 to January 16, 2012 and (iii) our option to make prepayments in shares was limited to $2.0 million in any ten business day period whereas there was no limit on share prepayments after the First Call Date prior to this most recent amendment.

We determined that the amendments to Term Note B on July 10, 2009 were not substantial and did not represent an implied exchange of debt instruments that would require extinguishment accounting on the modification date.

On November 24, 2009, our senior lender made demand for payment of $3.9 million of principal due under Term Note B and we agreed to waive the provision of the note which prohibited the senior lender from making demand for payment prior to January 16, 2010. This modification to waive the provision in the note, in combination with the issuance of new debt (see "Consent Fee Term Note") and modifications to other debt instruments that were negotiated together; represented an implied exchange of debt instruments. We recognized a gain on the implied exchange of Term Note B in the amount of $0.1 million on November 24, 2009.

In accordance with the multiplier feature contained in Term Note B, the actual amount required to be paid as a result of the November 24, 2009 demand for payment was equal to $7.4 million which was determined by multiplying the $3.9 million demanded by 0.075, with that product then multiplied by the lesser of (A) the 5 day volume-weighted average share price for the 5 business days immediately preceding the date demand for payment was made, and (B) $70.00. For purposes of this calculation, we and our senior lender agreed to use $25.00 as the 5 day VWAP. As permitted under Term Note B, we elected to pay the amount due under Term Note B using shares of our common stock and, as a result, issued 295,598 shares in satisfaction of the amount due. The fair value of the embedded derivative instrument associated with Term Note B was reduced on a proportional basis to the amount of debt principal settled in a manner consistent with the methodology used to extinguish derivative liabilities under the convertible notes discussed below. In connection with shares issued to settle the debt principal demand on November 24, 2009, the derivative instrument was reduced by $3.4 million and a loss on the settlement of the debt principal and derivative instrument of $0.2 million was recognized, which represented the difference between the fair value of shares issued ($7.5 million) and the settlement of the liabilities ($3.9 million of debt principal and $3.4 million of derivative instrument).

On February 9, 2010, our senior lender demanded a principal reduction of $0.5 million related to Term Note B as allowed under the terms of the note. We elected to use our common stock to satisfy the demand, which amounted to 37,500 shares issued to the senior lender. In connection with shares issued to settle the debt demand, the derivative instrument was reduced by $0.2 million and a gain on the settlement of the debt principal and derivative instrument of $0.1 million was recognized, which represented the difference between the fair value of shares issued ($0.6 million) and the settlement of the liabilities ($0.5 million of debt principal and $0.2 million of derivative instrument).

From the original issuance date of January 16, 2008 up until the time certain modifications were executed on April 30, 2010, Term Note B contained a contract provision that required us to deliver shares that may be resold pursuant to Rule 144 of the Securities Act (subject to any applicable holding period), if we elected to make the payment of the multiplier amount feature contained within the note using shares of our common stock. We determined that compliance with this contractual requirement was not within our control. Therefore, although we had the option to make principal payments in shares of our common stock, we had to assume net cash settlement could have been required to satisfy the value of the principal multiplier feature as we could not control whether we would be in compliance with the share settlement provisions at the time of repayment. As a result, the embedded principal multiplier feature was bifurcated, classified as a derivative liability measured at fair value and the liability was marked to market each period, with changes in fair value being recognized in the respective period's statement of operations. However, on April 30, 2010, the note was modified to clarify that we would not be obligated under any circumstances to settle the value of the embedded principal multiplier feature of the note in cash and that issuance of our shares (including "unregistered shares" and shares designated as "restricted") in payment of the multiplier feature value would fully settle the embedded feature, regardless of any other characteristics of the shares. As a result of the modifications, the embedded feature no longer met the definition of a derivative and the fair value of the embedded feature was reclassified to equity effective as of the close of business on April 30, 2010.

Term Note C

At April 30, 2009, the significant contractual terms of Term Note C (originally issued on May 30, 2008) were as follows: (i) fixed interest of 9.0% per annum, payable monthly in arrears, in cash or PIK at our option, (ii) monthly principal installments of $1.25 million beginning on June 1, 2009 and thereafter, until the balance was paid in full, (iii) we had the right to defer scheduled payments for up to two months, subject to certain conditions, and (iv) we had the option to repay the scheduled principal reductions with shares of our common stock, subject to certain conditions, and the value of the shares delivered was determined based on the lower of: (a) 95% of the VWAP of our stock for the five business days prior to the payment date or (b) the closing share price on the day immediately preceding the payment due date.

The note was fully repaid in shares of our common stock in three installments as follows: (i) 274,122 shares were issued on May 1, 2009 in satisfaction of $3.75 million of principal, (ii) 98,931 shares were issued on October 1, 2009 in satisfaction of $2.5 million of principal, and (iii) 79,596 shares were issued on November 1, 2009 in satisfaction of $1.8 million of principal (including $0.55 million of unpaid interest added to principal under our PIK option).

Consent Fee Term Note

The terms of our credit facilities with our senior lender required that we obtain the consent of our senior lender prior to entering into the Arrangement Agreement with Schneider Power. On November 24, 2009, we and our senior lender executed a consent fee arrangement under which the senior lender agreed to give its consent to the proposed business combination in exchange for a fee of $3.0 million, which was paid by the delivery of a promissory term note (the "Consent Fee Term Note").

The fair value of the note, including the embedded multiplier feature, was $3.5 million on the date of issuance and was recognized as part of the loss on modification of debt and derivative instruments on

November 24, 2009 in connection with the implied exchange of debt instruments discussed above under Convertible Note I. The debt discount, initially recognized at $0.5 million, was amortized through July 1, 2010 which is the first possible date that the senior lender could demand repayment of the note.

Since the Consent Fee Term Note contained a contingent fee arrangement from the original issuance date up until the completion of the acquisition of Schneider Power and the contingent fee amount was a variable other than those generally used to determine the fair value of a fixed-for-fixed forward or option on equity shares, the instrument was not considered to be indexed to our own stock and, therefore, the instrument could not be precluded from derivative instrument consideration until the contingency was resolved. As a result, the embedded principal multiplier feature under the Consent Fee Term Note was bifurcated, classified as a derivative liability and marked to market. The decrease in fair value of $0.7 million for the period from inception of the note on November 24, 2009 through the date that the contingency was resolved on April 16, 2010 with the completion of our acquisition of Schneider Power was recognized in the consolidated statement of operations as a fair value adjustment of derivative instruments (see Note 11). As a result of the resolution of the contingency, the embedded principal multiplier feature no longer met the definition of a derivative and the fair value of the embedded feature was reclassified to equity effective as of the close of business on April 16, 2010.

Lender Commitment

On May 30, 2008, we secured a $10.0 million commitment from an affiliate of our senior lender (the "Lender Commitment") that allowed us to draw on the commitment at our option and also allowed the senior lender to fund the commitment at the senior lender's option under certain defined structures.

As of April 30, 2009, the option for either party under the commitment was set to expire on August 31, 2009 and consisted of the following terms: (a) should we choose to draw on the Lender Commitment, the senior lender had the right to make the investment under one of the following three investment structures: (i) receipt of our common stock at a 25.0% discount to market price with 100.0% warrant coverage at an exercise price equal to market price at the time of funding, (ii) a two year secured convertible note, the conversion price equal to a 10.0% discount to the market price and the coupon on the note equal to 12.0% payable in our common stock, and (iii) a senior secured straight note that redeems in cash at 120% of face value after one year; (b) in exchange for extending the commitment, we granted to the senior lender an option to make a $10.0 million investment, which, if exercised, would have been structured as a non-interest bearing convertible note priced at 100.0% of par and redeemable at 120.0% of par two years after the funding date (the "put" option). The note under this put option structure would have been convertible into our common stock at a price equal to the market price.

On July 10, 2009, the commitment was amended. The significant amendments were as follows: (i) the expiration date of the commitment was extended one year from August 31, 2009 to August 31, 2010 and (ii) if we elected to exercise our option to borrow, the first of the three options that the senior lender could structure the note was eliminated and the terms of the other two options were modified.

On August 3, 2009, the commitment was further amended. The significant amendments were as follows: (i) our right to exercise our option to borrow up to $10.0 million was restricted in part to only allow us to draw upon the commitment up to $2.5 million within any 30 day period. The effect of the modification was that we could still borrow up to $10.0 million; however, we would require four draw downs over a three month period to gain the entire proceeds from the commitment, and (ii) the conversion price under the convertible note structures of either the exercise of the borrowing by us or a put by the senior lender, was changed from "market price" to a fixed conversion price of $14.20 per share. The amendment to fix the conversion price of the convertible note structure under the potential senior lender put option resulted in the recognition of a loss on modification of the instrument of $2.6 million.

On November 24, 2009, the expiration date of the commitment was amended from August 31, 2010 to March 31, 2011. The modifications executed on November 24, 2009 immediately increased the value of the embedded written put option under the Lender Commitment by $0.4 million which we recognized as a loss on modification of derivative instruments during fiscal 2010 in connection with the implied exchange of debt instruments discussed above under Convertible Note I.

Recognition of Charges Associated with Debt Modifications

The following table summarizes the loss recognized during the year ended April 30, 2010 related to modifications of debt and derivative instruments:

Debt Instrument	Description of Modification	Date of Modification	Gain (Charge) Recognized
Senior Convertible Notes	Amend terms of Convertible Note I	July 10, 2009	$ (3,092,000)
Senior Convertible Notes	Exchange Term Note A with Convertible Note II	July 10, 2009	(2,858,000)
Senior Convertible Notes	Issuance of Convertible Note III	July 10, 2009	(1,019,000)
Lender Commitment	Amend terms of senior lender put option	August 3, 2009	(2,570,000)
Senior Convertible Notes	Amend maturity dates for each of the three convertible notes	November 24, 2009	(1,272,000)
Term Note B	Amend terms of term note and write off unamortized debt issuance costs	November 24, 2009	54,045
Consent Fee Term Note	Issuance of new term note in connection with acquisition consent	November 24, 2009	(3,491,000)
Lender Commitment	Amend expiration date of funding commitment	November 24, 2009	(439,000)
			$(14,686,955)

Conversions of Principal under Convertible Notes

During the year ended April 30, 2010, the senior lender converted a combined total of $6.9 million of principal under the Senior Convertible Notes ($0.51 million, $1.03 million and $1.37 million under Convertible Note I on September 23, 2009, October 13, 2009 and November 24, 2009, respectively; $2.72 million under Convertible Note II on November 24, 2009; and $1.23 million under Convertible Note III on November 24, 2009) which we satisfied with the issuance to the holder of a combined total of 484,221 shares. The fair value of the embedded derivative instruments associated with the convertible notes was reduced on a proportional basis to the amount of debt principal converted by the holder. For example, if 10% of the outstanding debt principal just prior to the conversion was converted, we reduced the fair value of the derivative instrument on the conversion date by 10%. In connection with shares issued to settle debt principal conversions during the year ended April 30, 2010, the derivative instruments were reduced by $6.9 million and a net gain on the settlement of the debt principal and derivative instruments of $1.4 million was recognized, which represented the difference between the fair value of shares issued ($12.4 million) and the settlement of the liabilities ($6.9 million of debt principal and $6.9 million of derivative instruments).

During the year ended April 30, 2010, we elected to add the entire amount of accrued interest to principal under the Senior Convertible Notes that was payable on the scheduled semi-annual interest payment dates in accordance with the PIK provisions contained within the notes.

Shares in Lieu of Cash in Satisfaction of Principal under Term Note A and Term Note C

We issued shares in the year ended April 30, 2010 on various dates through November 1, 2009 to our senior lender in satisfaction of certain required principal obligations under Term Note A and Term Note C based on 95% of the VWAP of our common stock for the five business days prior to the applicable payment dates pursuant to the terms of the debt instruments. We considered Term Note A and Term Note C to be "stock-settleable" instruments as both instruments embodied unconditional obligations that we could settle by issuing a variable number of our shares and the value of the obligation was based on a fixed monetary amount that was known at inception. We performed a separate calculation each time we made a payment in shares under the term notes to determine whether the fair value of the shares provided was above or below the carrying value of the principal extinguished. To the extent that there was a difference, we recorded the amount immediately as a gain or loss on extinguishment of debt and the corresponding offset was recorded as additional paid-in-capital for the issued shares. The differences that were required to be recorded in the year ended April 30, 2010 for the shares, representing a net loss on settlement of the debt of $0.4 million, is included as part of the loss on settlement of debt and derivative instruments on the consolidated statement of operations.

Year Ended April 30, 2009

On May 30, 2008, we amended Convertible Note I and Term Note B in connection with securing additional financing from our senior lender associated with Term Note C and the Lender Commitment.

The significant amendments to Convertible Note I included: (i) the "Make-Whole Amount" provision was added which provided the senior lender with an incentive to convert all or part of the balance due under the note prior to its maturity, (ii) an anti-dilution conversion price reset provision that was originally added on January 31, 2007 was eliminated, and (iii) the scheduled maturity date was extended from July 1, 2009 to August 1, 2009.

The significant amendments to Term Note B were: (i) the limit for the maximum amount of principal payable under the multiplier provision that was present upon issuance of the note was increased from $37.5 million to $52.5 million, (ii) a provision that allowed us to make prepayments under the note at any time was revised to restrict us from making prepayments under the note prior to January 17, 2010 (the "First Call Date"), and (iii) a provision that only required the multiplier formula to be factored into determining the amount of principal outstanding on the note upon a demand of payment by the senior lender was revised to require the multiplier formula to be factored into both prepayments by us and demands by the senior lender. Prior to the May 30, 2008 amendment, the derivative instrument representing the principal multiplier feature was not ascribed any fair value as a market place participant would have assumed that we would have avoided payment of the value attributable to the multiplier feature by exercising our option to prepay the note at its face value prior to January 16, 2010. However, after giving effect to the amendments that occurred on May 30, 2008, which eliminated our ability to avoid paying the value of the multiplier feature by prepaying the note, we could no longer avoid paying the value attributable to the multiplier feature by prepaying the note. Thus, the embedded derivative associated with the multiplier feature had a measurable fair value for all periods subsequent to the May 30, 2008 modifications.

The amendments to Convertible Note I and Term Note B resulted in an immediate increase in the value of the embedded conversion feature derivatives of $23.8 million (substantially all related to Term Note B) that was recognized as a loss on modification of debt and derivative instruments in the year ended April 30, 2009.

We determined that the amendments to Convertible Note I and Term Note B on May 30, 2008, in combination with the issuance of new debt and modifications to other debt instruments that were negotiated together, were not substantial and did not represent an implied exchange of debt instruments. For purposes of this analysis, we excluded the impact that the modifications had on the embedded features accounted for as derivative instruments under GAAP, as the change in fair value of the derivative instruments resulting from the modifications was immediately recognized as a loss on modification of debt.

During the year ended April 30, 2009, the holder requested conversions of $10.2 million of debt principal under the provisions of Convertible Note I. In connection with the issuance of our common shares (which had a fair value of $18.7 million on the settlement dates) in satisfaction of the principal converted and shares required pursuant to the Make-Whole Amount provision contained in the note, a portion of the derivative instrument liability associated with the conversion feature was also extinguished in the total amount of $4.2 million. The Make-Whole Amount provision was available to the holder from May 30, 2008 through July 9, 2009 at which time it was eliminated in connection with further modifications to the note. The difference between the fair value of the shares issued ($18.7 million) and the extinguishment of the liabilities ($10.2 million of debt principal and $4.2 million of derivative instruments) was recognized as a loss on settlement of $4.3 million during the year ended April 30, 2009.

11. Derivative Instruments and Fair Value Measurements

We measure our financial assets and liabilities in accordance with Fair Value Measurements and Disclosures under GAAP, which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. GAAP describes three different valuation techniques to be used in determining fair value for financial assets and liabilities: the market, income or cost approaches. The three valuation techniques are consistent with generally accepted valuation methodologies. The hierarchy which prioritizes the inputs used to measure fair value from market based assumptions to entity specific assumptions are as follows:

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

We measure financial instruments that we consider to be derivatives at fair value on a recurring basis, which at times consists of certain embedded features contained within our debt instruments (see Note 10) and certain warrant contracts (see Note 12).

Our derivative instruments are measured on their respective origination dates, at the end of each reporting period and at other points in time when necessary, such as modifications, using Level 3 inputs. We also used Level 3 inputs for measuring the fair value of certain of our debt instruments and the facility exit obligation initially recognized as of June 30, 2011. We do not report any financial assets or liabilities that we measure using Level 1 or Level 2 inputs and there were no transfers in or out of Level 3 for all periods reported.

The derivatives and their respective fair values measured using Level 3 inputs are as follows:

	April 30, 2010	April 30, 2011	December 31, 2011
Derivative instruments classified as current liabilities:			
Warrant contracts issued in October 2006	$ 4,160,000	$3,292,000	$ 882,000
Warrant contracts issued in June 2007	4,100,000	57,000	—
Warrant contracts issued in August 2008	4,287,000	521,000	18,000
Warrant "B" contracts issued in February 2011	—	452,000	53,000
	12,547,000	4,322,000	953,000
Derivative instruments classified as non-current liabilities:			
Written Put Option under $10.0 million Lender Commitment	5,518,000	—	—
Warrant contracts issued in August & September 2009	1,151,000	56,000	—
Warrant contracts issued on September 29, 2011	—	—	269,000
Warrant contracts issued on October 12, 2011	—	—	274,000
	6,669,000	56,000	543,000
Total balance of derivative instruments	$19,216,000	$4,378,000	$1,496,000

We determine the fair value of the embedded derivative features contained within certain debt instruments primarily based on binomial probability distribution models that integrate multiple layers of logic at each node representing probability weighted stock price points and possible outcomes over time based on volatility and appropriate risk free rates. The end node values are then individually present valued back to the valuation date. Under a binomial probability distribution model, the closing market price of our common stock on the dates of measurement and the estimated annual volatility rates used are the primary drivers of fair value in addition to the contractual terms of the financial instruments.

We determined the fair values of the derivative instrument liabilities associated with certain warrant contracts primarily based on option-pricing mathematical models generally referred to as "Black-Scholes" and "Monte Carlo" option-pricing models. These models determine the value of the derivative instruments based on complex mathematical formulas that assume that returns on our underlying stock are normally-distributed and that risk-free interest rates and stock volatilities will remain constant over the term of the contract. For the period ended December 31, 2011, we used the Black-Scholes model to calculate the value of the June 2007 Warrants, the August 2008 Warrants, the August 2009 Warrants, the September 2009 Warrants, and the "B" Warrants issued in February 2011. For the derivative warrant contracts that incorporate more complex terms, including exercise price reset provisions (the October 2006 Warrants, the warrants issued on September 29, 2011 and the warrants issued on October 12, 2011), we utilized the Monte Carlo model which is similar to the Black-Scholes model; however, the Monte Carlo model simulates several thousand possible (but random) price paths for the underlying value of the derivative instruments. These random price paths were then averaged to determine the value of the derivative instruments as of the reporting date.

The following table summarizes the changes in the fair value for the derivative instrument liabilities using Level 3 inputs:

	Convertible Notes	Written Put Option	Term Note B	Consent Fee Term Note	Bridge Notes	Warrants	Total
Balance at April 30, 2008	$ 6,392,000	$ —	$ —	$ —	$ —	$ 10,017,000	$ 16,409,000
Origination of derivative instruments	—	—	—	—	—	7,290,000	7,290,000
Contract modifications recognized in earnings	—	—	23,834,000	—	—	—	23,834,000
Adjustments resulting from change in value of underlying asset and passage of time recognized in earnings	(1,925,000)	—	(20,341,000)	—	—	(5,427,000)	(27,693,000)
Settlements associated with debt payments and warrant exercises	(4,162,000)	—	—	—	—	(480,000)	(4,642,000)
Balance at April 30, 2009	$ 305,000	$ —	$ 3,493,000	$ —	$ —	$ 11,400,000	$ 15,198,000
Origination of derivative instruments	280,000	—	—	960,000	—	1,395,000	2,635,000
Origination of derivative instruments in connection with contract modifications recognized in earnings	3,877,000	—	—	—	—	—	3,877,000
Change to existing derivative instrument in connection with contract modifications recognized in earnings	3,342,000	3,009,000	—	—	—	—	6,351,000
Fair value adjustments resulting from change in value of underlying asset and passage of time recognized in earnings	3,710,000	2,509,000	2,522,000	(667,000)	—	2,500,000	10,574,000
Settlements associated with debt payments and warrant exercises	(6,928,000)	—	(3,595,000)	—	—	(1,597,000)	(12,120,000)
Reclassification of instrument from debt to equity pursuant to contract modification	(4,586,000)	—	(2,420,000)	(293,000)	—	—	(7,299,000)
Balance at April 30, 2010	$ —	$ 5,518,000	$ —	$ —	$ —	$ 13,698,000	$ 19,216,000
Origination of derivative instrument	—	—	—	—	147,000	—	147,000
Origination of derivative instruments, net of cancellations, in connection with contract modifications recognized in earnings	—	—	—	—	—	864,000	864,000
Change to existing derivative instrument in connection with contract modifications recognized in earnings	—	(2,883,000)	—	—	(147,000)	(10,184,000)	(13,214,000)
Termination of derivative instrument recognized in earnings	—	(2,635,000)	—	—	—	—	(2,635,000)
Balance at April 30, 2011	$ —	$ —	$ —	$ —	$ —	$ 4,378,000	$ 4,378,000
Origination of derivative instrument	—	—	—	—	—	1,694,000	1,694,000
Change to existing derivative instruments in connection with contract modifications recognized in earnings	9,000	—	—	—	—	—	9,000
Reclassification of instrument from debt to equity pursuant to contract modification	1,149,000	—	—	29,000	—	—	1,178,000
Settlements associated with debt payments and warrant exercises	(76,000)	—	—	(2,000)	—	(1,075,000)	(1,153,000)
Fair value adjustments resulting from change in value of underlying asset and passage of time recognized in earnings	(1,082,000)	—	—	(27,000)	—	(3,501,000)	(4,610,000)
Balance at December 31, 2011	$ —	$ —	$ —	$ —	$ —	$ 1,496,000	$ 1,496,000

The fair value of derivative instrument liabilities measured with Level 3 inputs are revalued quarterly. The assumptions used in the calculations under our binomial and/or option pricing models for the following periods were as follows:

	October '06 Warrants	June '07 Warrants	August '08 Warrants	February '11 "B" Warrants	Written Put Option	Aug/Sept '09 Warrants	Sept '11 Warrants	October '11 Warrants
April 30, 2010:								
Annual volatility*(1)*	79.7%	77.4%	72.8%	N/A	89.3%	77.4%-94.5%	N/A	N/A
Risk-free rate	2.00%	2.40%	2.40%	N/A	1.50%	1.2%-2.0%	N/A	N/A
Discount rate for cash payments	N/A	N/A	N/A	N/A	14.30%	N/A	N/A	N/A
Dividend rate	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	N/A	N/A
Closing price of Quantum stock	$14.00	$14.00	$14.00	N/A	$14.00	$ 14.00	N/A	N/A
Conversion / exercise price	$11.00	$41.80	$62.60	N/A	$14.20	$ 17.00	N/A	N/A
April 30, 2011:								
Annual volatility*(1)*	86.2%	83.2%	79.2%	76.80%	N/A	54.0%-85.6%	N/A	N/A
Risk-free rate	1.01%	1.49%	1.49%	1.97%	N/A	0.42%-1.01%	N/A	N/A
Dividend rate	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	N/A	N/A
Closing price of Quantum stock	$ 2.58	$ 2.58	$ 2.58	$ 2.58	N/A	$ 2.58	N/A	N/A
Conversion / exercise price	$ 3.05	$41.80	$43.65	$ 6.00	N/A	$ 17.00	N/A	N/A
December 31, 2011:								
Annual volatility*(1)*	59.9%	78.7%	82.7%	81.50%	N/A	59.9%-61.3%	79.0%	78.9%
Risk-free rate	0.31%	0.36%	0.60%	0.60%	N/A	0.12%-0.31%	0.83%	0.83%
Dividend rate	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
Closing price of Quantum stock	$ 0.73	$ 0.73	$ 0.73	$ 0.73	N/A	$ 0.73	$0.73	$0.73
Conversion / exercise price	$ 0.95	$41.80	$38.60	$ 6.00	N/A	$ 17.00	$0.95	$0.95

(1) Annual volatility is based on the historical average of our identified per group for a period consistent with the remaining term of the contract.

Fair Value Option

We have adopted Accounting Standards Codification (ASC) Topic No. 825 "Financial Instruments" (ASC 825), which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a contract-by-contract basis. We did not elect to adopt the fair value option for any of our financial assets or liabilities that were not already measured on a recurring basis. Based on certain qualifying events, we may elect to adopt the fair value option in the future for certain financial assets and liabilities.

We apply fair value techniques on a non-recurring basis associated with valuing impairment losses related to goodwill and other long-lived assets, including intangible assets (see Note 7).

12. Stockholders' Equity

Reverse Stock Split

On February 8, 2011, we implemented a reverse stock split pursuant to which all of the issued and outstanding shares of our common stock at the close of business on such date were combined and reconstituted as a smaller number of shares of common stock in a ratio of 1 share of common stock for every 20 shares of common stock. Concurrently, our authorized shares of common stock were reduced proportionately from 400,000,000 to 20,000,000. The reverse stock split did not affect our 20,000,000 shares of authorized preferred stock. The accompanying consolidated financial statements and footnotes have been retroactively adjusted to reflect the effects of the reverse stock split.

Increase in Authorized Shares

At the Special Meetings of Stockholders held on May 10, 2011 and February 14, 2012, our stockholders authorized increases in the number of authorized shares of common stock from 20,000,000 to 50,000,000 and from 50,000,000 to 150,000,000, respectively, of which 100,000 shares are designated as Series B common stock.

Common Stock

Holders of our common stock are entitled to one vote for each share on all matters voted on by stockholders. Holders of common stock do not have cumulative voting rights in the election of directors and have no subscription, redemption or conversion privileges. Subject to the preferences or other rights of any preferred stock that may be issued from time to time, holders of common stock will be entitled to participate ratably in dividends of our common stock as declared by the board of directors. Holders of common stock will be entitled to share ratably in all assets available for distribution to stockholders in the event of our liquidation or dissolution, subject to distribution of the preferential amount, if any, to be distributed to holders of preferred stock. No holder of our capital stock authorized at any such distribution date will have any preemptive right to subscribe for or purchase any of our securities of any class or kind.

Series B Common Stock

Shares of our Series B common stock, held entirely by General Motors, are not entitled to vote on any matters voted on by stockholders except as otherwise specifically required by law. In the event we issue additional shares of our common stock as a dividend or other distribution on our outstanding common stock, or a subdivision or combination of common stock into a smaller or greater number of shares, the number of shares of Series B common stock will be adjusted to that number of shares of Series B common stock that is equal to the percentage of all outstanding shares of all series of our common stock (excluding shares issued pursuant to a board-approved stock option or equity incentive plan) that the holders of Series B common stock held prior to such event. Upon the transfer of any of the outstanding shares of Series B common stock to any person or entity that is not controlled by or under common control with General Motors, the transferred shares of Series B common stock will convert into an equal number of shares of our common stock. Subject to the preferences or other rights of any preferred stock that may be issued from time to time, holders of our Series B common stock will be entitled to participate ratably in dividends on our common stock as declared by our board of directors. Holders of our Series B common stock will be entitled to share ratably in all assets available for distribution to stockholders in the event of our liquidation or dissolution, subject to distribution of the preferential amount, if any, to be distributed to holders of our preferred stock.

Preferred Stock

Our charter authorizes the board of directors, without any vote or action by the holders of our common stock, to issue up to 20,000,000 shares of preferred stock from time to time in one or more series. Our board of directors are authorized to determine the number of shares and designation of any series of preferred stock and the dividend rights, dividend rate, conversion rights and terms, voting rights (full or limited, if any), redemption rights and terms, liquidation preferences and sinking fund terms of any series of preferred stock. Issuances of preferred stock would be subject to the applicable rules of the Nasdaq Global Market or other organizations on whose systems our stock may then be quoted or listed. Depending upon the terms of preferred stock established by our board of directors, any or all series of preferred stock could have preference over our common stock with respect to dividends and other distribution upon our potential liquidation. Issuance of any such shares with voting powers, or issuance of additional shares of our common stock, would dilute the voting power of our outstanding common stock. We have no present plans to issue any preferred stock.

Stock Incentive Plans

On August 31, 2011, our Board of Directors adopted the Quantum Fuel Systems Technologies Worldwide, Inc. 2011 Stock Incentive Plan (the 2011 Plan), subject to approval by our stockholders. On October 27, 2011, our stockholders approved the 2011 Plan and it became effective on that date. Upon its effectiveness, the 2011 Plan replaced our 2002 Stock Incentive Plan (the 2002 Plan) and awards can no longer be issued under the 2002 Plan.

Both stock incentive plans provide that awards of stock options and shares of restricted stock may be granted to directors, employees and consultants. The terms of the award are established by the administrator of the plans, our Compensation Committee. Historically, options expire ten years after the date of grant or 30 days after termination of employment, vest ratably at the rate of 25% on each of the first four anniversaries of the grant date and have an exercise price at least equal to the market price of our stock at the date of grant. Restricted stock awards generally cliff vest on the third anniversary of the grant date.

The 2011 Plan provides for an aggregate of 3,100,000 shares to be initially reserved for issuance and available for grant there under, subject to adjustment in the event of a stock split, stock dividend, or other similar change in our common stock or our capital structure. The 2011 Plan contains an "evergreen" provision under which the number of shares available for grant under the 2011 Plan will increase annually beginning on January 1, 2013 equal to the lesser of (x) 500,000 shares, (y) 3.0% of the number of shares outstanding as of such first day of each year or (z) a lesser number of shares determined by our Board of Directors. To date, no awards have been granted under the 2011 Plan.

On November 17, 2008, we completed a value-for-value stock option exchange program which was approved by our stockholders on September 18, 2008. Pursuant to the option exchange, 194,841 eligible options were canceled and replaced with 128,734 replacement stock options. The exchange ratio was calculated such that the value of the replacement options would approximate the value of the canceled options, determined in accordance with the Black-Scholes option valuation model. We recognized the excess value of vested replacement options as compensation expense ratably over their respective vesting periods. The excess value was nominal.

Share-based Compensation

The share-based compensation expense related to stock options and restricted stock included in the accompanying consolidated statements of operations and in the financial information by reportable business segment in Note 17 is:

	Electric Drive & Fuel Systems	Renewable Energy	Corporate	Total
Year Ended April 30, 2009:				
Cost of product sales	$103,597	$ —	$ —	$ 103,597
Research and development	213,005	—	—	213,005
Selling, general and administrative	17,907	—	1,609,715	1,627,622
Total share-based compensation	$334,509	$ —	$1,609,715	$1,944,224
Year Ended April 30, 2010:				
Cost of product sales	$ 17,950	$ —	$ —	$ 17,950
Research and development	153,911	—	—	153,911
Selling, general and administrative	14,735	—	738,465	753,200
Total share-based compensation	$186,596	$ —	$ 738,465	$ 925,061
Year Ended April 30, 2011:				
Cost of product sales	$ 30,013	$ —	$ —	$ 30,013
Research and development	179,285	—	—	179,285
Selling, general and administrative	20,285	120,673	830,056	971,014
Total share-based compensation	$229,583	$120,673	$ 830,056	$1,180,312
Eight Months Ended December 31, 2011:				
Cost of product sales	$ 35,246	$ —	$ —	$ 35,246
Research and development	111,298	—	—	111,298
Selling, general and administrative	15,388	93,592	440,479	549,459
Total share-based compensation	$161,932	$ 93,592	$ 440,479	$ 696,003

Share-based compensation includes costs of restricted stock awards of $0.1 million, $0.1 million, $0.4 million and $0.2 million for the years ended April 30, 2009, 2010 and 2011, and the eight month period ended December 31, 2011, respectively.

Stock Options

Below is a summary of the options activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (In Years)	Aggregate Intrinsic Value
Options outstanding at April 30, 2010	213,023	$21.60		
Granted	239,500	$11.80		
Exercised	—	$ —		
Forfeited	(27,412)	$12.06		
Expired	(4,327)	$80.65		
Options outstanding at April 30, 2011	420,784	$16.04		
Granted	—	$ —		
Exercised	—	$ —		
Forfeited	(14,958)	$11.80		
Expired	(7,227)	$26.40		
Options outstanding at December 31, 2011	398,599	$16.08	6.4	$—
Vested and expected to vest at December 31, 2011	384,051	$16.08	5.7	$—
Options exercisable at December 31, 2011	227,447	$18.74	5.0	$—

The aggregate intrinsic value, if any, in the table above is based on our closing stock price of $0.73 per share as of the last business day of the eight month period ended December 31, 2011, which amount would have been received by the optionees had all options been exercised on that date.

The following table sets forth summarized information with respect to stock options outstanding and exercisable at December 31, 2011:

	Outstanding			Exercisable	
Exercise Price Range	Number of Shares	Average Life Remaining (in years)	Average Price	Number of Shares	Average Price
$0.00 - $12.60	196,837	8.6	$11.79	49,897	$11.79
$12.60 - $25.20	200,712	4.3	20.05	176,675	20.47
$25.20 - $50.40	700	6.6	44.60	525	44.60
$50.40 - $100.80	350	0.2	96.80	350	96.80
	398,599	6.4	$16.08	227,447	$18.74

A summary of the options activity of our non-vested options and changes during the eight month period ended December 31, 2011 is as follows:

		Weighted-Average		
	Number of Shares	Grant-Date Fair Value	Remaining Years To Vest	Remaining Unrecognized Compensation Cost
Nonvested outstanding at April 30, 2011	239,956	$9.56		
Granted	—	—		
Vested	(53,846)	9.25		
Forfeited	(14,958)	8.58		
Nonvested outstanding at December 31, 2011	171,152	$8.47	1.7	$997,050

A summary of the grant date fair value and intrinsic value information is as follows:

	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2011	Eight Months Ended December 31, 2011
Weighted average grant date fair value per share	$ 10.60	$ 11.20	$ 8.86	No grants
Intrinsic value of options exercised	No exercises	$ 2,250	No exercises	No exercises
Total fair value of options vested during the period	$ 1,271,078	$1,220,980	$ 647,072	$ 151,753

The fair value of each stock option award is estimated on the grant date using the Black-Scholes option-pricing formula. Expected volatilities are based on the historical volatility of our stock price. The expected life of options granted is derived based on the historical life of our options. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury interest rates in effect at the time of grant.

The fair value of options granted was estimated using the following weighted–average assumptions:

	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2011	Eight Months Ended December 31, 2011
Dividend yield	0.0%	0.0%	0.0%	No grants
Expected life—years	5.8	6.2	6.2	No grants
Risk-free interest rate	2.3%	2.8%	2.0%	No grants
Expected volatility of common stock	91.0%	90.0%	89.4%	No grants

Restricted Stock

We periodically issue restricted stock to our directors and executives as a form of equity-based compensation. The value of the shares, measured on the date of award based upon the closing price of our common stock, is recognized as compensation expense ratably over the vesting period, typically three years.

Below is a summary of unvested restricted stock activity:

	Unvested Shares of Restricted Stock
Unvested restricted stock outstanding at April 30, 2010	21,250
Issued in period	92,500
Vested in period	(20,000)
Unvested restricted stock outstanding at April 30, 2011	93,750
Activity in period	—
Unvested restricted stock outstanding at December 31, 2011	93,750

As of December 31, 2011, there remained $0.6 million of unrecognized share-based compensation expense related to restricted stock of which we expect to recognize $0.4 million and $0.2 million in the years ending December 31, 2012 and 2013, respectively.

At December 31, 2011, there were 3,100,000 shares of common stock available for grant under the 2011 Plan.

Warrants

In connection with a $12.5 million private placement offering completed on June 29, 2006, investors received warrants to purchase 44,020 shares of our common stock at a fixed exercise price of $78.80 per share to the investors (the June 2006 Warrants). The warrants expired in June 2011.

In connection with a $10.0 million private placement offering completed on October 27, 2006, investors received warrants to initially purchase 106,707 shares of our common stock at an initial exercise price of $47.20 per share (the October 2006 Warrants). In July 2011, we issued 172,401 shares upon the exercise of 365,916 warrants on a cashless basis by certain holders of the October 2006 Warrants. As a result of these warrant exercises, we recorded a $1,075,000 reduction in the balance of derivative liabilities associated with the warrant contracts (see Note 11) and recognized a gain of $184,000 in connection with the settlement of derivative liabilities. The remaining warrants are subject to reset as discussed below, are currently exercisable and expire in April 2014.

In connection with a $18.75 million private placement offering that was completed on June 22, 2007, investors received warrants to purchase 750,000 shares of our common stock at a fixed $41.80 per share, which included 125,000 shares provided to the October 2006 investors in exchange for those investors waiving certain rights obtained in the October 2006 private placement (the June 2007 Warrants). The remaining June 2007 warrants, totaling 257,583, are currently exercisable and expire in December 2014.

In connection with a $19.1 million registered direct offering completed on August 25, 2008, the investor received warrants to initially purchase 675,000 shares of our common stock at an initial exercise price of $80.00 per share (the August 2008 Warrants). These warrants were subject to reset (as discussed below), are currently exercisable and expire in August 2015.

In connection with a $12.3 million private placement offering completed in two tranches on August 3, 2009 (the August 2009 Warrants) and September 4, 2009 (the September 2009 Warrants), the investors received warrants to purchase 100,481 shares of our common stock at a fixed exercise price of $17.00 per share. In connection with the transaction, the placement agent also received five-year warrants to purchase up to 51,197 shares of our common stock at a fixed exercise price of $17.00 per share. All of these warrants are currently exercisable and expire five years from the date of issuance, except that a portion of the warrants issued to the placement agent expire three years from the date of issuance.

In connection with our acquisition of Schneider Power, we issued replacement warrants to the holders of Schneider Power warrants that allowed these holders to purchase up to 102,822 shares of our common stock at fixed exercise prices ranging from $9.60 to $48.20 per share. All of these warrants have expired.

In connection with a $10.9 million private placement offering completed on various dates from April 2010 through July 2010 (the Spring 2010 Warrants), the investors received warrants to purchase up to 197,217 shares of our common stock at a fixed exercise price of $18.20 per share. In connection with the transaction, the placement agent also received five-year warrants to purchase up to 121,859 shares of our common stock at a fixed exercise price of $18.20 per share. All of these warrants are currently exercisable and expire five years from the date of issuance.

On October 13, 2010 and October 19, 2010, in connection with the issuance of the 2010 Bridge Notes, the investors received warrants to purchase up to 36,197 shares of our common stock at a fixed exercise price of $13.40 per share (the October 2010 Warrants). These warrants are currently exercisable and expire five years from the date of issuance.

On January 3, 2011, in connection with the execution of a Forbearance Agreement and the restructuring of the debt obligations held by our senior lender, we issued our senior lender a warrant to purchase up to 277,777 shares of our common stock at a fixed exercise price of $9.00 per share. This warrant is currently exercisable and expires on February 18, 2014.

On January 18, 2011, in connection with amendments to the 2010 Bridge Notes, the bridge investors received warrants to purchase up to 131,892 shares of our common stock at a fixed exercise price of $9.20 per share. The warrants are currently exercisable and expire in January 2014.

In connection with a $7.7 million private placement transaction that we completed on February 18, 2011, the investors received "A" warrants to purchase up to 759,370 shares of our common stock at a fixed exercise price of $6.57 per share and "B" warrants to purchase up to 393,933 shares of our common stock at a fixed exercise price of $6.00 per share. These warrants are currently exercisable and expire in February 2016.

In connection with the issuance of the May 2011 Bridge Notes, the investors received warrants to purchase up to 168,768 shares of our common stock at a fixed exercise price of $2.92 per share (the May 2011 Warrants). These warrants are currently exercisable and expire in May 2014.

In connection with a $10.0 million private placement offering that we completed in three tranches on June 15, 2011, June 20, 2011 and July 6, 2011 (collectively, the June/July 2011 Warrants), the investors received warrants to purchase up to 1,922,670 shares of our common stock at fixed exercise prices ranging from $3.85 to $3.90 per share. In connection with the transaction, the placement agent also received warrants to purchase up to 863,859 shares of our common stock at fixed exercise prices ranging from $3.12 to $3.90 per share. The placement agent, who also participated in the December 21, 2011 registered public offering, forfeited 698,456 warrants concurrent upon the closing of the public offering pursuant to a separate agreement between us and the placement agent dated December 7, 2011. All of the remaining June/July 2011 Warrants are currently exercisable and expire either three or five years from the date of issuance.

On August 23, 2011, in connection with the issuance of the August 2011 Bridge Notes, investors received warrants to purchase 115,000 shares of our common stock at a fixed exercise price of $3.85 per share (the August 2011 Warrants). The warrants can be exercised any time and expire in August 2016.

In connection with the sale of the Unsecured "A" Convertible Notes that we completed in two tranches on September 29, 2011 and October 12, 2011, the investors received warrants to purchase up to 550,703 and 564,348 shares of our common stock with initial exercise prices of $2.60 and $2.42 per share, respectively. The warrant exercise prices are subject to reset as discussed below. The warrants can be exercised beginning after six months from the date of issuance and expire five years from the date of issuance.

In connection with the sale of the Unsecured "B" Convertible Notes from October 17, 2011 through November 15, 2011, the investors received warrants to purchase a total of 1,531,195 shares of our common stock at a fixed exercise price of $2.64 per share. The respective warrants can be exercised beginning after six months from the date of issuance and expire five years from the date of issuance.

On November 2, 2011, in connection with the execution of an amendment of the maturity dates under the Senior Convertible Notes, we issued our senior lender a warrant to purchase up to 540,000 shares of our common stock at a fixed exercise price of $2.12 per share. This warrant is currently exercisable and expires on November 2, 2014.

In connection with a $10.0 million registered public offering completed on December 21, 2011, the investors received warrants to purchase up to 6,315,789 shares of our common stock at a fixed exercise price of $1.22 per share. The warrants are currently exercisable and expire five years from the date of issuance.

We evaluate the warrants we issue in accordance with applicable accounting guidance and we have concluded that liability classification is appropriate for the October 2006 Warrants, the June 2007 Warrants, the August 2008 Warrants, August 2009 Warrants, the September 2009 Warrants, the "B" warrants issued in February 2011, and the warrants issued on September 29, 2011, and October 12, 2011. We have further concluded that equity classification is appropriate for all other warrants that were outstanding during the periods presented due to the fact that these warrants are considered to be indexed to our own stock, are required to be physically settled in shares of our common stock and there are no provisions that could require net-cash settlement.

The proceeds we received from the transactions that gave rise to the issuance of the warrants have been allocated to the common stock or debt issued, as applicable, and the warrants based on their relative fair values. For those transactions in which proceeds were received in connection with the sale of common stock, we aggregate the values of those warrants that we do not classify as liabilities with the fair value of the stock issued as both of these types of instruments have been classified as permanent equity.

The classification as equity for certain of the warrants could change as a result of either future modifications to the existing terms of settlement or the issuance of new financial instruments by us that could be converted into an increased or unlimited number of shares. If a change in classification of certain warrants is required in the future, the warrants would be treated as derivatives, reclassified as liabilities on the balance sheet at their fair value, and marked to market each period, with the changes in fair values being recognized in the respective period's statement of operations.

The October 2006 Warrants, the June 2007 Warrants, the August 2008 Warrants and the "B" warrants issued in February 2011 contain contractual provisions that could potentially require us to net-cash settle the value of the remaining outstanding warrants in the event of a change in control or other fundamental change in Quantum in the future. Since the contractual provisions that could require us to net-cash settle the warrants are deemed not to be within our control under applicable accounting guidance, equity classification is precluded. As such, we consider these warrants to be derivative instruments that are classified as current liabilities, recorded at fair value and marked to market each period, with the changes in fair values being recognized in the respective period's statement of operations.

The August 2009 Warrants and the September 2009 Warrants contain cashless exercise provisions whereby the settlement calculation may incorporate the book value per share of common stock if there is not a public market for the common stock, and the warrants issued on September 29, 2011 and October 12, 2011 contain contingent exercise price reset provisions related to subsequent equity sales. Under GAAP, if an instrument's settlement calculation incorporates variables other than those used to determine the fair value of a fixed-for-fixed forward or option on equity shares, the instrument would not be considered indexed to the entity's own stock and therefore would not be precluded from derivative instrument consideration. As such, we consider these warrants to be derivatives that are classified as non-current liabilities, recorded at fair value and marked to market each period, with the changes in fair values being recognized in the respective period's statement of operations.

The fair values of the derivative liabilities associated with warrant contracts on the dates of the consolidated balance sheets presented and a summary of the changes in the fair values of those derivative instruments during the periods presented on the consolidated statements of operations are disclosed in Note 11.

The October 2006 Warrants, the August 2008 Warrants, and the warrants issued on September 29, 2011 and October 12, 2011, contain contractual provisions which, subject to certain exceptions, reset the exercise price of such warrants if at any time while such warrants are outstanding, we sell or issue shares of our common stock or rights, warrants, options or other securities or debt convertible, exercisable or exchangeable for shares of our common stock. Since the initial issuance of these warrants, we have completed capital raising transactions through December 31, 2011 that resulted in the reset of the exercise price of the October 2006 Warrants to $0.95, the August 2008 Warrants to $38.60, and the warrants issued on September 29, 2011 to $0.95 per share, respectively. As of December 31, 2011, the August 2008 Warrants had been reset to the lowest price allowable under the terms of the August 2008 Warrant so the reset provision is no longer applicable.

The October 2006 Warrants and August 2008 Warrants also contain a provision that increases the number of shares of common stock subject to such warrants if and when the exercise price is reset so that the aggregate purchase price payable applicable to the exercise of the warrants after the reset of the exercise price is the same as the aggregate purchase price payable immediately prior to the reset. As a result of the exercise price resets, the remaining number of shares subject to the October 2006 Warrants and August 2008 Warrants increased to 2,978,372 and 1,398,964, respectively, as of December 31, 2011. Any resets to the exercise price of the October 2006 Warrants in the future will have an additional dilutive effect on our existing shareholders.

Warrant activity and warrants outstanding, reportable in the equivalent number of shares of our common stock that can be purchased upon exercise of the warrants, is as follows:

Warrants outstanding at April 30, 2008	983,050
Exercised	(20,000)
Issued—original number	675,000
Warrants outstanding at April 30, 2009	1,638,050
Issued—original number	320,456
Issued—additional number(1)	470,621
Exercised	(95,805)
Warrants outstanding at April 30, 2010	2,333,322
Issued—original number	1,852,440
Issued—additional number(1)	1,296,507
Expired	(73,322)
Canceled	(492,573)
Warrants outstanding at April 30, 2011	4,916,374
Issued—original number	12,572,332
Issued—additional number(1)	2,227,904
Exercised	(365,916)
Forfeited	(698,456)
Expired	(73,520)
Warrants outstanding at December 31, 2011	18,578,718

(1) Associated with reset provisions of certain warrant contracts.

Shares Available

The number of undesignated shares available as of December 31, 2011 is as follows:

	Common Stock	Series B Common Stock	Preferred Stock
Shares authorized (see Note 21)	49,900,000	100,000	20,000,000
Less shares issued and outstanding at December 31, 2011	(26,617,369)	(49,998)	—
Less shares designated as of December 31, 2011 for issuance under:			
Stock options	(398,599)	—	—
Warrants	(18,578,718)	—	—
Conversion of principal under Unsecured "A" Convertible Notes issued on September 29, 2011(1)	(917,839)	—	—
Conversion of principal under Unsecured "A" Convertible Notes issued on October 12, 2011(2)	(940,595)	—	—
Conversion of principal under Unsecured "B" Convertible Notes issued in October and November 2011(3)	(1,423,978)	—	—
Total shares designated for future issuance	(22,259,729)	—	—
Undesignated shares available	1,022,902	50,002	20,000,000
Other instruments in which share settlement is at Company option:			
Principal repayment in shares under Consent Fee Term Note(4)	1,195,000	—	—

(1) Represents number of shares upon conversion of $1,949,500 of principal at a fixed conversion price of $2.124 per share. See Note 21.

(2) Represents number of shares upon conversion of $1,862,400 of principal at a fixed conversion price of $1.980 per share. See Note 21.

(3) Represents number of shares upon conversion of $3,950,000 of principal at fixed conversion prices ranging from $2.7727 to $2.7832 per share.

(4) Repayment of $2,390,000 of principal in shares is at our option, subject to certain conditions, and represents the number of shares necessary for payment assuming a price of $2.00 per share. See Note 21.

13. Insurance Settlements

Property Damage Recovery

On September 22, 2007, a flood caused damages to our inventory, manufacturing equipment and a warehouse facility that was covered under existing insurance coverage. We received the insurance benefits in installments on various dates through November 2008. We recognized a non-recurring gain of $1.2 million in fiscal year 2009 which is included as a reduction to selling, general and administrative expense on the consolidated statements of operations. The gain is primarily related to the difference between the insured values and carrying values of the damaged inventory and equipment. Proceeds on the settlement of $1.5 million received in fiscal year 2009 are included in cash flows from operating activities on the consolidated statement of cash flows.

Life Insurance Proceeds

We recorded other income of $2.0 million during fiscal 2009 in connection with a life insurance settlement payment that was received during November 2008. Insurance proceeds on the settlement are included in cash flows from operating activities on the consolidated statement of cash flows.

14. Income Taxes

The following table presents the principal reasons for the difference between the effective tax rate and the federal statutory income tax rate for continuing operations:

	Year Ended April 30,			Eight Months Ended December 31,
	2009	2010	2011	2011
Income tax benefit at U.S. statutory rates	34.0%	34.0%	34.0%	34.0%
State and local income taxes, net of federal benefit	—	—	—	—
Goodwill impairment	—	—	—	(15.9)%
Amortization of intangible asset	(8.5)%	—	—	—
Derivative instruments and fair value measurements	3.7%	(16.2)%	30.8%	2.0%
Share-based compensation	(1.5)%	(0.6)%	(1.8)%	(0.2)%
Other	1.2%	0.2%	(1.2)%	(1.0)%
Valuation allowance	(28.9)%	(17.4)%	(58.9)%	(10.7)%
Foreign rate differential	—	—	(0.8)%	(8.2)%
Effective tax rate	0.0%	0.0%	2.1%	0.0%

The following table presents the provision for income taxes for continuing operations on a separate tax return basis:

	Year Ended April 30,			Eight Months Ended December 31,
	2009	2010	2011	2011
Current:				
State and local	$ 1,600	$ 4,268	$ 6,500	$ —
Foreign	—	—	373,382	—
	1,600	4,268	379,882	—
Deferred:				
Federal	(4,248,000)	(4,611,933)	(6,975,162)	(2,375,346)
State and local	(810,000)	(663,751)	(1,141,855)	(146,236)
Foreign	—	(481,330)	(933,801)	(1,602,172)
	(5,058,000)	(5,757,014)	(9,050,818)	(4,123,754)
Less: Change in valuation allowance	5,058,000	5,758,970	8,430,435	4,109,036
Subtotal	—	1,956	(620,383)	(14,718)
Income tax expense (benefit)	$ 1,600	$ 6,224	$ (240,501)	$ (14,718)

The components of deferred tax assets and liabilities are as follows:

	As of April 30, 2010	As of April 30, 2011	As of December 31, 2011
Deferred income tax assets:			
Accrued compensation	$ 372,170	$ 385,641	$ 388,414
Accrued warranty	35,681	3,703	28,207
Inventory	1,147,729	1,211,519	1,186,768
Share-based compensation	2,226,817	2,295,609	2,416,246
Other	499,980	355,675	647,173
Tax credits	764,575	764,575	764,575
Derivative instruments	913,801	—	—
Net operating loss carryforwards	71,748,152	81,453,021	84,232,336
	77,708,905	86,469,743	89,663,719
Less: Valuation allowance	(75,371,969)	(83,802,404)	(88,646,082)
Total deferred income tax assets	2,336,936	2,667,339	1,017,637
Deferred income tax liabilities:			
Equipment and leasehold improvements	(417,121)	(397,857)	(484,622)
Other comprehensive income	—	(334,778)	—
Intangible asset	(2,401,145)	(2,153,411)	(722,034)
Net deferred tax liability	$ (481,330)	$ (218,707)	$ (189,019)

For our U.S. based businesses, we have a net deferred tax asset position primarily consisting of net operating loss carry forwards that are available to offset future taxable income. In accordance with GAAP, we have established a valuation allowance for our net deferred tax asset since it is unlikely that the asset will be fully realized based on our lack of earnings history and current evidence.

Our wholly-owned subsidiary, Schneider Power, based in Canada, has certain deferred tax liabilities which cannot be offset by net operating loss carry forwards from the US businesses and represents the balance of the net deferred tax liability reported as of April 30, 2010, April 30, 2011 and December 31, 2011 on the accompanying consolidated balance sheets. Included in the net deferred tax liability at April 30, 2010 was a deferred amount of $0.4 million consisting of the tax effected difference between the book value and tax basis of the Grand Valley wind farm asset that was sold in February 2011(see Note 3). The deferred tax amount was reclassified as a current tax payable upon the completion of the asset sale and is included in other accrued liabilities in the accompanying consolidated balance sheets as of April 30, 2011 and December 31, 2011.

Undistributed earnings of Schneider Power at December 31, 2011 are considered to be indefinitely reinvested and, accordingly, no provisions for federal and state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

For the year ended April 30, 2011, $0.2 million was recognized as the net income tax benefit attributable to operations, which included a tax benefit of $0.3 million associated with the reduction of other comprehensive income for the tax effects of foreign currency gains.

Loss from operations before income taxes for the years ended April 30, 2009, 2010 and 2011 and for the eight month period ended December 31, 2011 attributable to domestic operations was $28.0 million, $46.2 million, $8.1 million, and $29.2 million, respectively, and loss attributable to foreign operations was zero, $0.1 million, $3.2 million, and $9.3 million, respectively.

At December 31, 2011, we had federal net operating loss carryforwards of approximately $218 million available to offset future federal taxable income that expire between the years 2021 and 2031. We had state net operating loss carryforwards of approximately $121 million available to offset future state taxable income that expire between the years 2013 and 2031.

We have no unrecognized tax benefits for uncertain tax positions as defined under GAAP for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties.

At December 31, 2011, our U.S. federal tax returns related to the years ended April 30, 2007 through April 30, 2011 and for the Transition Period ended December 31, 2011 remain open to examination by the tax authorities. However, we have consolidated or acquired net operating losses beginning in the tax year ended September 27, 1998 that would cause the statute of limitations to remain open for the year in which the net operating loss was incurred.

The U.S. tax laws contain provisions (Section 382 limitations) that limit the annual utilization of net operating loss and credit carryforwards upon the occurrence of certain events including a significant change in ownership interest. Generally, such limitations arise when the ownership of certain shareholders or public groups in the stock of a corporation change by more than 50 percentage points over a three-year period. We had incurred such an event in the past which limits the future use of our losses and may result in expiration of a portion of the losses before utilization. We may also have incurred such an event or events over recent years; however, we have not completed a current study to determine the extent of the limitations. Until a study is completed and the extent of the limitations is able to be determined, no amounts are being presented as an uncertain tax position.

15. Earnings (Loss) Per Share

We compute net income (loss) per share by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and common equivalent shares outstanding during the period. We consider common equivalent shares from the exercise of stock options, warrants and convertible debt payable in the instance where the shares are dilutive to our net income. The effects of stock options, warrants and convertible debt were anti-dilutive for all periods presented.

The following table sets forth the computation of basic and diluted loss per share:

	Year Ended April 30			Eight Months Ended December 31,
	2009	2010	2011	2011
Numerators for basic and diluted loss per share data:				
Net loss attributable to stockholders	$(27,992,652)	$(46,294,327)	$(11,030,405)	$(38,497,280)
Denominator for basic and diluted loss per share data—weighted-average shares	4,600,666	6,459,899	9,700,395	15,577,364
Basic and diluted per share data:				
Net loss attributable to stockholders	$ (6.08)	$ (7.17)	$ (1.14)	$ (2.47)

For the periods presented above, shares of common stock potentially issuable upon the exercise of options, warrants and convertible notes, in addition to shares potentially issuable in satisfaction of term note obligations were excluded in the computation of diluted per share data, as the effects would be anti-dilutive.

The following table sets forth the amount of shares excluded from the computation of diluted earnings per share, as to do so would have been anti-dilutive:

	As of April 30			As of December 31,
	2009	2010	2011	2011
Stock Options	236,928	213,023	420,784	398,599
Warrants	1,638,050	2,333,322	4,916,374	18,578,718
Convertible Notes	327,803	757,559	1,298,151	3,282,412
Term Notes	1,876,901	631,187	300,000	1,195,000
Lender Commitment	—	704,225	—	—
	4,079,682	4,639,316	6,935,309	23,454,729

16. Quarterly Results of Operations (unaudited)

A summary of the unaudited quarterly results of operations follows (in thousands, except per share amounts):

	Three Months Ended:			
	July 31, 2009	October 31, 2009	January 31, 2010	April 30, 2010
Year Ended April 30, 2010				
Net product sales	$ 188	$ 425	$ 475	$ 362
Contract revenue	2,906	2,230	1,005	2,014
Total revenue	3,094	2,655	1,480	2,376
Cost of product sales, non-affiliate	267	595	329	382
Gross profit (loss) on product sales	(79)	(170)	146	(20)
Research and development expense	3,795	3,509	2,946	3,284
Net income (loss)	(12,264)	(42,673)	14,143	(5,500)
Net income (loss) per share—basic	(2.34)	(7.00)	2.00	(0.74)
Net income (loss) per share—diluted	(2.34)	(7.00)	0.40	(0.74)
Weighted average shares outstanding:				
Basic	5,238	6,094	7,074	7,465
Diluted	5,238	6,094	8,627	7,465

	Three Months Ended: July 31, 2010	Three Months Ended: October 31, 2010	Three Months Ended: January 31, 2011	Three Months Ended: April 30, 2011
Year Ended April 30, 2011				
Net product sales	$ 644	$ 835	$ 953	$ 2,112
Contract revenue	2,916	3,050	3,653	6,111
Total revenue	3,560	3,885	4,606	8,223
Cost of product sales, affiliate	—	—	—	78
Cost of product sales, non-affiliate	559	878	754	1,424
Gross profit (loss) on product sales	85	(43)	199	610
Research and development expense	3,731	4,177	5,021	5,169
Net loss	(1,615)	(1,455)	(7,752)	(208)
Net loss per share—basic	(0.18)	(0.15)	(0.82)	(0.02)
Net loss per share—diluted	(0.18)	(0.15)	(0.82)	(0.02)
Weighted average shares outstanding:				
Basic	9,018	9,390	9,400	11,037
Diluted	9,018	9,390	9,400	11,037

	Three Months Ended July 31, 2011	Three Months Ended October 31, 2011	Two Months Ended December 31, 2011
Eight Months Ended December 31, 2011			
Net product sales	$ 3,213	$ 9,260	$ 2,579
Contract revenue	3,541	3,762	2,123
Total revenue	6,754	13,022	4,702
Cost of product sales, affiliate	197	1,427	648
Cost of product sales, non-affiliate	1,814	5,295	1,376
Gross profit on product sales	1,202	2,538	555
Research and development expense	3,496	3,796	3,020
Net loss	(7,865)	(8,401)	(22,231)
Net loss per share—basic	(0.58)	(0.53)	(1.24)
Net loss per share—diluted	(0.58)	(0.53)	(1.24)
Weighted average shares outstanding:			
Basic	13,664	15,973	17,867
Diluted	13,664	15,973	17,867

17. Business Segments and Geographic Information

Business Segments

We classify our business operations into three reporting segments: Electric Drive & Fuel Systems, Renewable Energy and Corporate.

The chief operating decision maker allocates resources and tracks performance by the reporting segments. We evaluate performance based on profit or loss from operations before interest, non-operating income and expenses, and income taxes.

Electric Drive & Fuel Systems Segment

Our Electric Drive & Fuel Systems segment supplies advanced propulsion and fuel systems for alternative fuel vehicles to OEM customers for use by consumers and for commercial and government fleets. We also provide our propulsion systems, compressed natural gas (CNG) and hydrogen storage products for hybrid and fuel cell applications, to major OEMs and certain governmental agencies through funded research and development contracts and on a prototype and production intent basis. This segment's business operations primarily consist of design, integration and supply of electric drive and control system technologies and manufacture and supply of packaged fuel systems for use in CNG, hybrid, plug-in electric hybrid, hydrogen, fuel cell, and other alternative fuel vehicles.

Our Electric Drive & Fuel Systems segment generates product revenues through: (i) the sale of hybrid sub-systems and control systems included in the *Q-Drive* powertrain system for the Fisker Karma production vehicle, (ii) the sale of hydrogen and CNG fuel storage, fuel delivery, and electronic control systems to OEMs, (iii) the installation of our systems into OEM vehicles, (iv) the sale of transportable hydrogen refueling stations, and (v) the sale of CNG, propane, and hydrogen fuel storage, fuel delivery, and electronic control systems for internal combustion engine applications.

Our Electric Drive & Fuel Systems segment generates contract revenue by providing engineering design and support to OEMs, primarily Fisker Automotive and General Motors, so that our advanced propulsion systems integrate and operate with the OEM's hybrid or fuel cell applications. Contract revenue is also generated from customers in the aerospace industry, military and other governmental entities and agencies.

Research and development is expensed as incurred and is primarily related to the operations of the Electric Drive & Fuel Systems business segment for each of the periods presented. Research and development expense includes both customer-funded research and development and internally-sponsored research and development. Customer-funded research and development consists primarily of expenses associated with contract revenue. These expenses include applications development costs in our Electric Drive & Fuel Systems business segment that are funded under customer contracts.

Renewable Energy Segment

Our Renewable Energy segment consists solely of the business operations of Schneider Power. Schneider Power, headquartered in Toronto, Ontario, Canada, is an independent power producer, developer of renewable energy projects and provider of related development services and is a licensed electricity generator and wholesaler. Our development of renewable energy projects involves several sequential stages of completion and advancement before a project becomes operational. Feasibility studies are conducted to obtain sufficient data to validate the wind and/or solar energy capacity from a prospective project. Easements are negotiated with local landowners to allow for the development of an energy farm on their properties. Applications are submitted to local utility providers to obtain approvals for grid interconnections, and environmental assessments and feasibility studies are completed and submitted to Federal, Provincial and Municipal governments to obtain permits for construction and commissioning. Finally, Power Purchase Agreements (PPAs) are secured with a utility provider or power broker as a project approaches the construction and operational stage. Wind and solar energy project returns depend mainly on the following factors: energy prices, transmission costs, wind and solar resources, wind turbine and solar module costs, construction costs, financing cost and availability of government incentives.

In addition to energy sales on our existing wind electricity generation facility and future wind and solar energy facilities that we are currently developing, our strategy includes potentially generating revenues and cash flows through the sale of ownership interests in our renewable energy projects and through development and construction services for renewable energy projects owned by third parties.

On September 9, 2011, we announced that Schneider Power had entered into a purchase and sale agreement with an unrelated third party for the purchase by Schneider Power of 100% of the shares of Zephyr Wind Farms Limited (Zephyr) for a contingent purchase price ranging from CDN 2.0 million to CDN 2.5 million (the "Zephyr Agreement"). Zephyr is the owner of a potential 10 megawatt wind farm development project located in Ontario, Canada. The closing of the transactions contemplated by the Zephyr Agreement remains subject to the parties satisfaction (or waiver) of a number of closing conditions including, without limitation, approval by each party's board of directors and/or shareholders, as applicable, and consent from our senior lender. The Zephyr Agreement, as last amended on November 29, 2011, required the transaction to be completed by December 16, 2011. Although the parties were unable to satisfy certain closing conditions by such date, we continue to have discussions with the seller regarding further extending the closing date.

Corporate Segment

The Corporate segment consists of general and administrative expenses incurred at the corporate level that are not directly attributable to the Electric Drive & Fuel Systems or Renewable Energy reporting segments. Corporate expenses consist primarily of personnel costs, share-based compensation costs and related general and administrative costs for executive, finance, legal, human resources, investor relations and our board of directors.

Activities of Quantum Solar are included in our Corporate segment and to date principally consist of plant and equipment expenditures for solar module production capability, net of impairments recognized in the eight months ended December 31, 2011. Quantum Solar has suspended all activities associated with its anticipated solar module manufacturing operation. If Quantum Solar commences a manufacturing operation in the future, we anticipate that we will report these activities under a new business segment separate from the Electric Drive & Fuel Systems, Renewable Energy and Corporate reporting segments.

Geographic Information

Our long-lived assets as of April 30, 2010, April 30, 2011 and December 31, 2011 are primarily based within facilities in Irvine and Lake Forest, California and on our wind farm located in Ontario, Canada. We also own land in Nova Scotia, Canada that we may continue to develop as a renewable energy project. Our affiliate, Asola, is based in Erfurt, Germany.

Our revenue by country is as follows (in thousands):

	Year Ended April 30,			Eight Months Ended December 31,
	2009	2010	2011	2011
United States	$20,589	$8,753	$15,344	$14,040
Germany	2,577	557	2,470	3,001
Finland	—	—	1,392	7,062
Canada	—	87	904	334
India	—	176	130	27
France	—	—	21	—
China	—	—	13	—
Iceland	71	28	—	—
Japan	21	3	—	—
Other	—	1	—	14
Total	$23,258	$9,605	$20,274	$24,478

Financial Information by Business Segment

Selected financial information by business segment is as follows:

	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2011	Eight Months Ended December 31, 2011
Total Revenue				
Electric Drive & Fuel Systems	$ 23,257,720	$ 9,590,085	$ 19,605,178	$ 24,302,343
Renewable Energy	—	15,064	669,070	175,378
Corporate	—	—	—	—
Total	$ 23,257,720	$ 9,605,149	$ 20,274,248	$ 24,477,721
Operating Loss				
Electric Drive & Fuel Systems	$(14,398,443)	$(10,910,416)	$ (5,689,421)	$(16,961,774)
Renewable Energy	—	(76,904)	(2,873,876)	(8,994,887)
Corporate	(10,718,785)	(9,517,294)	(9,249,974)	(9,416,789)
Total	$(25,117,228)	$(20,504,614)	$(17,813,271)	$(35,373,450)
Product Gross Profit (Loss)				
Electric Drive & Fuel Systems:				
Net product sales	$ 975,098	$ 1,437,467	$ 4,231,695	$ 14,876,349
Cost of product sales, affiliate	—	—	(78,416)	(2,272,139)
Cost of product sales, non-affiliates	(2,288,237)	(1,559,546)	(3,514,207)	(8,380,814)
Gross profit (loss)	$ (1,313,139)	$ (122,079)	$ 639,072	$ 4,223,396
Renewable Energy:				
Net product sales	$ —	$ 12,992	$ 312,063	$ 175,378
Cost of product sales	—	(13,834)	(100,203)	(104,238)
Gross profit (loss)	$ —	$ (842)	$ 211,860	$ 71,140
Capital Expenditures				
Electric Drive & Fuel Systems	$ 2,663,315	$ 337,821	$ 269,056	$ 782,444
Renewable Energy	—	—	1,482,526	289,484
Corporate	2,157,000	108,000	—	9,139
Total	$ 4,820,315	$ 445,821	$ 1,751,582	$ 1,081,067
Depreciation				
Electric Drive & Fuel Systems	$ 1,808,469	$ 1,219,405	$ 1,147,070	$ 756,026
Renewable Energy	—	13,087	96,375	63,881
Corporate	11,000	36,000	33,890	12,784
Total	$ 1,819,469	$ 1,268,492	$ 1,277,335	$ 832,691
Amortization and Impairment of Intangibles and Other Long-Lived Assets				
Electric Drive & Fuel Systems	$ 7,020,607	$ —	$ —	$ 18,000,000
Renewable Energy	—	869,242	1,425,893	7,772,383
Corporate	—	—	—	1,658,572
Total	$ 7,020,607	$ 869,242	$ 1,425,893	$ 27,430,955

Identifiable assets by reporting segment are as follows:

	April 30, 2010	April 30, 2011	December 31, 2011
Identifiable Assets			
Electric Drive & Fuel Systems	$38,777,359	$41,040,995	$26,008,797
Renewable Energy—asset held for sale	2,089,947	—	—
Renewable Energy—all other assets	14,717,614	14,699,500	5,846,671
Corporate	17,433,207	16,229,552	14,581,281
	$73,018,127	$71,970,047	$46,436,749

18. Revenue and Purchase Concentrations

Fisker Automotive comprised 59%, 46%, 56% and 61% and General Motors comprised 13%, 12%, 13% and 14%, and U.S. Army comprised 13%, 11%, 1% and 0%, of the total consolidated revenue reported for the years ended April 30, 2009, 2010 and 2011, and for the eight months ended December 31, 2011, respectively.

As of April 30, 2010, April 30, 2011 and December 31, 2011, Fisker Automotive's accounts receivable comprised 45%, 61% and 54%, and General Motors and affiliated companies' accounts receivable comprised 7%, 14% and 13%, of our total outstanding accounts receivable, respectively.

For the years ended April 30, 2009, 2010 and 2011, and for the eight months ended December 31, 2011, purchases from one supplier constituted approximately 26%, 20%, 15% and 24%, respectively, of net raw materials purchases. For the years ended April 30, 2009, 2010 and 2011, and for the eight months ended December 31, 2011, ten suppliers accounted for approximately 80%, 75%, 70% and 90%, respectively, of net raw materials purchases.

19. Commitments and Contingencies

Leases

As discussed in Note 8, we account for future commitments under a certain facility that we lease in Lake Forest, California, as a liability, effective on the cease-use date of June 30, 2011, as a result of a long-term sub-lease arrangement that we executed on June 29, 2011. We have certain other non-cancelable operating leases for facilities and equipment that are not accounted for as liabilities under GAAP. Future minimum lease commitments under these other non-cancelable operating leases at December 31, 2011 are as follows:

	Lease Commitments
Calendar year 2012	$2,152,258
Calendar year 2013	2,216,022
Calendar year 2014	2,283,012
Calendar year 2015	1,461,372
Thereafter	—
Total minimum lease payments	$8,112,664

Total rental expense recognized under our operating leases for the years ended April 30, 2009, 2010 and 2011 and for the eight months ended December 31, 2011 was approximately $1.7 million, $2.8 million, $2.9

million and $1.6 million, respectively. These leases are non-cancelable and certain leases have renewal options and escalation clauses. Rental expense excludes the charges recognized in connection with the long-term sub-lease arrangement discussed in Note 8.

Our corporate headquarters is located in Irvine, California. The facility in Irvine is leased from Cartwright, LLC and another unrelated party (collectively referred to as "Cartwright LLC"). Our chief executive officer and an irrevocable trust established by our chairman of the board own 50% and 36.67%, respectively, of Cartwright, LLC. The remaining 13.33% of Cartwright, LLC is owned by an unrelated party. The lease has an effective date of November 1, 2008 and expires on October 31, 2015. We made cash payments to Cartwright LLC during the years ended April 30, 2009, 2010 and 2011 and during the eight month period ended December 31, 2011 in amounts totaling $0.9 million, $0.7 million, $1.0 million and $0.6 million, respectively.

Obligations under Solar Cell Supply Arrangement

We have obligations pursuant to an arrangement with Asola under which we agreed to purchase one-half of Asola's rights and obligations under a certain long-term solar cell supply agreement that Asola executed with one of its solar cell suppliers. Our arrangement with Asola and our obligations under the arrangement are more fully described in Note 6.

Contingencies

We and our affiliates are subject to various legal proceedings and claims which arise out of the normal course of our business. Management and our legal counsel periodically review the probable outcome of pending proceedings and the costs reasonably expected to be incurred. We accrue for these costs when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In the opinion of management, any ultimate cost to us in excess of amounts accrued will not materially affect our consolidated financial position, results of operations or cash flows.

Compensation Plan

We sponsor a defined contribution plan (the "401K Plan") that is qualified under Internal Revenue Service Code Section 401(k). The 401K Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Under the 401K Plan, all applicable employees who are at least age twenty-one or older are eligible to participate in the 401K Plan at the beginning of the next month after their first day of employment with us. Contributions to the 401K Plan are based on funding standards established by ERISA. Our matching contributions under the 401K Plan are discretionary and match elective salary deferrals up to 3% of compensation.

Contributions attributable to us approximated $0.3 million, $0.2 million, $0.2 million and $0.2 million for the years ended April 30, 2009, 2010 and 2011 and for the eight months ended December 31, 2011, respectively.

Employment Agreements

We have entered into employment agreements with our Chief Executive Officer and other executive officers and senior managers which provide for annual base salary, other benefits and severance obligations. Our total obligation under the terms of these agreements is approximately $5.6 million for those agreements that are in place as of January 1, 2012. The total obligation consists of the estimated minimum contractual obligations under the arrangements assuming a termination of employment without cause initiated by us and benefit continuation to the employees assuming a cost to us of 15% of base salaries.

Strategic Alliance with General Motors

Our ten year strategic alliance agreement with General Motors, which was comprised of several agreements and arrangements, ended in July 2011. However certain provisions under these agreements, subject to conditions and the alliance arrangement, provide future revenue sharing arrangements to General Motors for products sold using certain technologies developed under the alliance. Potential revenue sharing payments could equal 5% of applicable gross revenue through July 23, 2015, 4% for the ten-year period ending July 23, 2025, 3% for the ten-year period ending July 23, 2035, and 2% for the ten-year period ending July 23, 2045. The agreements also contemplate a final revenue sharing payment to General Motors equal to the present value of future revenue sharing payments that would otherwise be payable to General Motors on an annual basis assuming an income stream to General Motors of 2% of our gross revenues in perpetuity. No royalty expense was incurred under the arrangement for any of the periods presented in the financial statements.

20. Comparative Prior Year Information

The Transition Period covers the consolidated statement of operations, changes in equity and cash flows for the eight months ended December 31, 2011. Comparative data for the consolidated statement of operations for the eight month period ended December 31, 2010 is as follows:

	Eight Months Ended December 31, 2010(1)	Eight Months Ended December 31, 2011
	(Unaudited)	
Condensed Consolidated Statements of Operations Data:		
Total revenue	$ 10,515,463	$ 24,477,721
Product gross profit	173,703	4,294,536
Amortization and impairment of long-lived assets	(281,928)	(27,430,955)
Operating loss	(12,684,314)	(35,373,450)
Income tax benefit (expense)	(59,635)	14,718
Loss from operations before income taxes	(6,466,285)	(38,511,998)
Net loss attributable to stockholders	(6,525,920)	(38,497,280)
Net loss per share—basic and diluted	(0.71)	(2.47)

(1) The 2010 eight month period has been prepared on a pro forma and unaudited basis and includes certain estimates.

21. Subsequent Events

Pursuant to an underwriting agreement entered into on December 15, 2011, we granted the underwriters a 30-day option (the "Over-Allotment Option") to purchase up to 1,509,062 units (the "Units"), with each Unit consisting of one share of common stock and one warrant to purchase 0.6 of a share of common stock, to cover overallotments further to the underwritten public offering of 10,526,315 Units that closed on December 21, 2011 (the "December 2011 Offering"). On January 13, 2012, the underwriters exercised their Over-Allotment Option with respect to 221,250 Units at a price to the public of $0.95 per Unit. The closing of the Over-Allotment Option occurred on January 19, 2012, resulting in net proceeds to us of $0.2 million after deducting underwriting discounts and commissions.

On January 31, 2012, we fully repaid the August 2011 Bridge Term Notes in cash, which included the repayment of $1,150,000 of principal plus accrued interest.

On February 10, 2012, we entered into an amendment with our senior lender to, among other things, amend the terms of the Consent Fee Note. The material amendments to the Consent Fee Note were as follows: (i) we can settle payment demands using shares our common stock as long as the VWAP for the three trading days preceding a payment demand is at least $0.95 per share. Prior to the execution of the amendment, the VWAP had to be at least $2.00 per share in order for us to have the right to settle a payment demand in shares, (ii) after taking into account the $700,000 payment demand made in connection with the execution of the amendment (see February 10, 2012 demand below), the aggregate amount of future payment demands that our senior lender can make prior to April 10, 2012 is limited to $600,000 (see March 7, 2012 demand below), and (iii) with respect to the $700,000 and $600,000 payment demands described below, a deemed VWAP price of $0.9524 per share was required to be used to determine the number of shares delivered in settlement of the payment demands.

On February 10, 2012, our senior lender made a payment demand of $700,000 on the Consent Fee Note. Pursuant to the terms of the amended note, we elected to settle the payment demand in shares and delivered 735,000 shares to the senior lender on February 13, 2012 in settlement of the payment demand.

On February 14, 2012, our stockholders authorized the Board of Directors to amend our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 150,000,000, of which 100,000 are designated as Series B common stock.

On March 7, 2012, our senior lender made a payment demand of $600,000 on the Consent Fee Note. Pursuant to the terms of the amended note, we elected to settle the payment demand in shares and delivered 630,000 shares to the senior lender on March 9, 2012 in settlement of the payment demand.

On March 20, 2012, we fully repaid the Unsecured "A" Convertible Notes that originated in September and October of 2011 in cash, which included the repayment of $3,811,900 of principal plus accrued interest.

On March 20, 2012 and March 21, 2012, we completed underwritten public offerings which provided us with total gross proceeds from investors of $14,551,200 in exchange for the issuance to investors of a total of: (i) 17,200,000 shares of common stock at $0.83 per share, (ii) warrants to purchase up to 10,320,000 shares of common stock (the "Series B Warrants") at $0.01 per warrant, and (iii) warrants to purchase up to 17,200,000 shares of common stock and up to 8,084,000 additional Series B Warrants (the "Series C Warrants") at $0.01 per warrant. The offering also provides an over-allotment option to the underwriters to purchase up to an additional 2,580,000 shares of common stock at $0.83 per share, and/or an additional 1,548,000 Series B Warrants at $0.01 per warrant and/or an additional 2,580,000 Series C Warrants at $0.01 per warrant. The underwriters exercised the full amount of their over-allotment option on the Series B Warrants and the Series C Warrants that closed on March 21, 2012 and exercised their over-allotment option to purchase 1,625,000 shares of common stock that closed on March 23, 2012 which provided us with additional gross proceeds of $1,390,030 associated with the offering. After factoring in applicable underwriter discounts and transaction costs, we expect the net proceeds from the March 2012 closings to be approximately $14.4 million.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

Valuation and qualifying accounts are as follows:

Account Description	Balance at Beginning of Period	Additions Charged (Credited) to Costs and Expenses	Deductions and Other Adjustments	Balance at End of Period
Allowance for doubtful accounts:				
Year ended April 30, 2009	$ 606,961	$ (80,922)	$ (81,436)	$ 444,603
Year ended April 30, 2010	444,603	9,316	(381,810)	72,109
Year ended April 30, 2011	72,109	131,791	(27,149)	176,751
Eight months ended December 31, 2011	176,751	109,298	(12,891)	273,158
Provision for obsolescence reserve:				
Year ended April 30, 2009	$1,055,548	$1,294,945	$ (85,225)	$2,265,268
Year ended April 30, 2010	2,265,268	618,357	(2,374)	2,881,251
Year ended April 30, 2011	2,881,251	154,879	5,258	3,041,388
Eight months ended December 31, 2011	3,041,388	(31,273)	—	3,010,115
Warranty reserve:				
Year ended April 30, 2009	$ 665,606	$ (22,823)	$(419,290)	$ 223,493
Year ended April 30, 2010	223,493	340,444	(474,183)	89,754
Year ended April 30, 2011	89,754	(1,071)	(41,030)	47,653
Eight months ended December 31, 2011	47,653	271,719	(1,418)	317,954

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 28, 2012

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC.

By: /s/ WILLIAM B. OLSON

William B. Olson, Chief Financial Officer and Treasurer
[Authorized Signatory and Principal Financial Officer]

Power of Attorney

Each director and officer of the Company whose signature appears below hereby appoints Alan P. Niedzwiecki and W. Brian Olson, and each of them individually, as his or her true and lawful attorney-in-fact and agent to sign in his name and behalf, in any and all capacities stated below, and to file this Transition Report with the Securities and Exchange Commission.

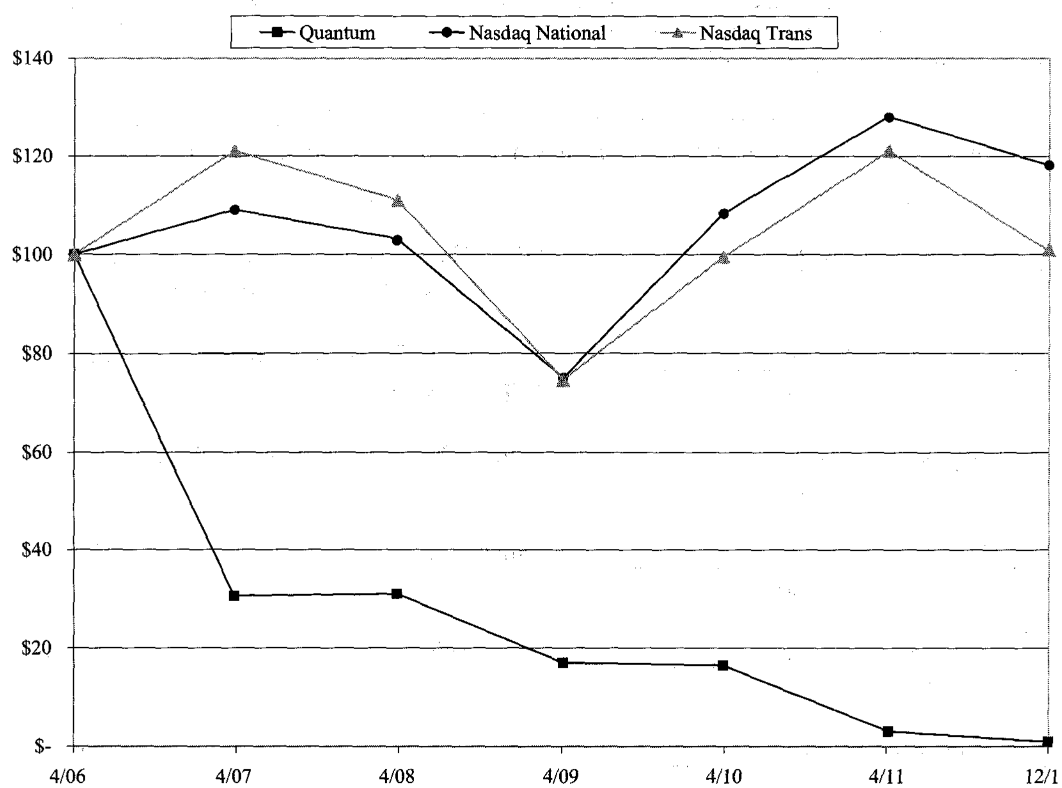
Pursuant to the requirements of the Securities Exchange Act of 1934, this Transition Report has been signed below by the following persons on behalf of the Company in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ALAN P. NIEDZWIECKI **Alan P. Niedzwiecki**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 28, 2012
/s/ W. BRIAN OLSON **W. Brian Olson**	Chief Financial Officer and Treasurer (Principal Financial Officer)	March 28, 2012
/s/ BRADLEY J. TIMON **Bradley J. Timon**	Controller (Principal Accounting Officer)	March 28, 2012
/s/ DALE L. RASMUSSEN **Dale L. Rasmussen**	Chairman of the Board of Directors	March 28, 2012
/s/ DAVID M. MAZAIKA **David M. Mazaika**	Chief Operating Officer	March 28, 2012
/s/ BRIAN A. RUNKEL **Brian A. Runkel**	Director	March 28, 2012
/s/ G. SCOTT SAMUELSEN **G. Scott Samuelsen**	Director	March 28, 2012
/s/ CARL E. SHEFFER **Carl E. Sheffer**	Director	March 28, 2012
/s/ PAUL GRUTZNER **Paul Grutzner**	Director	March 28, 2012
/s/ JONATHON LUNDY **Jonathon Lundy**	Director	March 28, 2012

Performance Graph

The following information does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the company specifically incorporates the report herein.

The following stock price performance graph compares the cumulative stockholder return on our common stock on an annual basis, assuming an initial investment of $100, with the cumulative total return of a broad market index (NASDAQ National Stock Market – CRSP Total Return Index) and an industry index (NASDAQ Transportation Stock Index) over the five fiscal year period beginning on April 30, 2006. The graph also includes information with respect to December 31, 2011, the last day of the transition period which resulted from the change in our fiscal year end from April 30 to December 31. We paid no dividends during the periods shown; the performance of the indexes is shown on a total return (dividend reinvestment) basis. The graph lines merely connect the prices on the dates indicated and do not reflect fluctuations between those dates. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.



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