

TECOGEN INC.
Form 10-Q
November 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

or

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

Commission file number 333-178697

TECOGEN INC.

(Exact name of Registrant as specified in its charter)

Delaware

04-3536131

(State or Other Jurisdiction of Incorporation or
Organization)

(IRS Employer Identification No.)

45 First Avenue

Waltham, Massachusetts

02451

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (781) 622-1120

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 Web site, if any, every

Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

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

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Title of each class	Outstanding, September 30, 2013
Common Stock, \$0.001 par value	13,574,474

TECOGEN INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2013
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References in this Form 10-Q to "we", "us", "our", the "Company" and "Tecogen" refers to Tecogen Inc. and its consolidated subsidiary, unless otherwise noted.

TECOGEN INC.

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

As of September 30, 2013 and December 31, 2012

(unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$492,734	\$1,572,785
Short-term investments-restricted	—	181,859
Accounts receivable, net	2,301,012	2,700,243
Unbilled revenue	140,081	—
Inventory, net	4,335,207	3,356,622
Due from related party	—	55,837
Prepaid and other current assets	530,519	402,846
Total current assets	7,799,553	8,270,192
Property, plant and equipment, net	644,983	435,612
Intangible assets, net	904,605	372,020
Goodwill	40,870	—
Other assets	72,425	39,425
TOTAL ASSETS	\$9,462,436	\$9,117,249
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Demand notes payable, related party	\$2,537,500	\$1,337,500
Current portion of convertible debentures, related party	90,967	90,967
Accounts payable	2,897,641	1,151,010
Accrued expenses	1,091,277	807,922
Deferred revenue	909,575	677,919
Due to related party	396,328	—
Interest payable, related party	198,723	126,170
Total current liabilities	8,122,011	4,191,488
Long-term liabilities:		
Deferred revenue, net of current portion	182,024	142,726
Total liabilities	8,304,035	4,334,214
Commitments and contingencies (Note 5)		
Redeemable Common stock, \$0.001 par value	—	—
Stockholders' equity:		
Tecogen Inc. shareholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 13,574,474 and 13,611,974 issued and outstanding at September 30, 2013 and December 31, 2012, respectively	54,298	54,448

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Additional paid-in capital	16,327,096	16,319,985
Accumulated deficit	(15,098,275)	(11,759,723)
Total Tecogen Inc. stockholders' equity	1,283,119	4,614,710
Noncontrolling interest	(124,718)	168,325
Total stockholders' equity	1,158,401	4,783,035
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$9,462,436	\$9,117,249

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

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TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended September 30, 2013 and 2012

(unaudited)

	2013	2012
Revenues		
Products	\$779,455	\$1,354,013
Services	2,113,785	1,698,543
	2,893,240	3,052,556
Cost of sales		
Products	571,803	846,679
Services	1,228,805	1,021,453
	1,800,608	1,868,132
Gross profit	1,092,632	1,184,424
Operating expenses		
General and administrative	1,697,330	1,493,652
Selling	488,895	450,305
Aborted public offering costs	320,924	—
	2,507,149	1,943,957
Loss from operations	(1,414,517)	(759,533)
Other income (expense)		
Interest and other income	7,256	10,214
Interest expense	(45,072)	(17,802)
	(37,816)	(7,588)
Loss before income taxes	(1,452,333)	(767,121)
Consolidated net loss	(1,452,333)	(767,121)
Less: Loss attributable to the noncontrolling interest	64,654	92,516
Net loss attributable to Tecogen Inc.	\$(1,387,679)	\$(674,605)
Net loss per share - basic and diluted	\$(0.11)	\$(0.05)
Weighted average shares outstanding - basic and diluted	13,212,894	13,166,080

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

TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Nine Months Ended September 30, 2013 and 2012

(unaudited)

	2013	2012
Revenues		
Products	\$3,639,974	\$4,191,439
Services	6,103,044	5,498,545
	9,743,018	9,689,984
Cost of sales		
Products	2,793,743	2,803,296
Services	3,930,806	2,900,211
	6,724,549	5,703,507
Gross profit	3,018,469	3,986,477
Operating expenses		
General and administrative	5,168,315	4,851,398
Selling	1,054,366	915,842
Aborted public offering costs	320,924	—
	6,543,605	5,767,240
Loss from operations	(3,525,136)	(1,780,763)
Other income (expense)		
Interest and other income	13,793	38,380
Interest expense	(104,836)	(53,406)
	(91,043)	(15,026)
Loss before income taxes	(3,616,179)	(1,795,789)
Consolidated net loss	(3,616,179)	(1,795,789)
Less: Loss attributable to the noncontrolling interest	277,627	285,898
Net loss attributable to Tecogen Inc.	\$(3,338,552)	\$(1,509,891)
Net loss per share - basic and diluted	\$(0.25)	\$(0.11)
Weighted average shares outstanding - basic and diluted	13,212,894	13,166,080

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

TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2013

(unaudited)

	Tecogen Inc.				
	Common Stock 0.001 Par Value	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total
Balance at December 31, 2012	\$54,448	\$16,319,985	\$(11,759,723)	\$168,325	\$4,783,035
Forfeiture of restricted stock grant	(150)	—	—	(200)	(350)
Stock based compensation expense	—	7,111	—	(15,216)	(8,105)
Net loss	—	—	(3,338,552)	(277,627)	(3,616,179)
Balance at September 30, 2013	\$54,298	\$16,327,096	\$(15,098,275)	\$(124,718)	\$1,158,401

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

TECOGEN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2013 and 2012

(unaudited)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(3,616,179)	\$(1,795,789)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	194,260	150,751
Provision (recovery) for losses on accounts receivable	(34,700)	—
Provision (recovery) for inventory reserve	—	5,800
Stock-based compensation	(8,105)	232,828
Non-cash interest expense	—	6,100
Changes in operating assets and liabilities		
(Increase) decrease in:		
Short-term investments	(202)	(4,497)
Accounts receivable	433,931	(538,435)
Inventory	(961,185)	(1,483,876)
Unbilled revenue	(140,081)	—
Due from related party	55,837	(141,725)
Prepaid expenses and other current assets	(127,673)	(332,751)
Other assets	(33,000)	—
Increase (decrease) in:		
Accounts payable	1,746,631	93,426
Accrued expenses	283,355	(123,372)
Deferred revenue	270,954	329,771
Due to related party	396,328	—
Interest payable, related party	72,553	