

PLUG POWER INC
Form DEF 14A
April 05, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
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Plug Power Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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PLUG POWER INC.

968 Albany-Shaker Road

Latham, NY 12110

April 14, 2004

Dear Stockholder:

You are cordially invited to attend the 2004 Annual Meeting of Stockholders (the Annual Meeting) of Plug Power Inc., a Delaware corporation (the Company), to be held on Thursday, May 20, 2004, at 10:00 a.m., local time, at the Albany Marriott, 189 Wolf Road, Albany, New York.

The Annual Meeting has been called for the purpose of (i) electing three Class II Directors, each for a three-year term and (ii) considering and voting upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 26, 2004, as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors of the Company recommends that you vote FOR the election of the three nominees as Class II Directors of the Company.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.

Sincerely,

Dr. Roger B. Saillant

President and Chief Executive Officer

REQUEST ELECTRONIC DELIVERY OF PROXY DOCUMENTS. Shareholders may elect to receive future distributions of proxy statements and annual reports by e-mail. To take advantage of this service, please see *Delivery of Proxy Materials and Annual Report* of this proxy statement for further information.

PLUG POWER INC.

968 Albany-Shaker Road

Latham, NY 12110

(518) 782-7700

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Thursday, May 20, 2004

NOTICE IS HEREBY GIVEN that the 2004 Annual Meeting of Stockholders of Plug Power Inc., a Delaware corporation (the Company), will be held on Thursday, May 20, 2004, at 10:00 a.m., local time, at the Albany Marriott, 189 Wolf Road, Albany, New York (the Annual Meeting) for the purpose of considering and voting upon:

1. The election of three Class II Directors, each to hold office until the Company's 2007 annual meeting of stockholders and until such director's successor is duly elected and qualified; and
2. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 26, 2004 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Only holders of the Company's common stock of record at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later postponement or adjournment, the Annual Meeting may be postponed or adjourned.

By Order of the Board of Directors

Ana-Maria Galeano

Corporate Secretary

Latham, NY

April 14, 2004

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, YOU ARE REQUESTED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.

PLUG POWER INC.

968 Albany-Shaker Road

Latham, NY 12110

(518) 782-7700

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Thursday, May 20, 2004

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Plug Power Inc. (the Company) for use at the 2004 Annual Meeting of Stockholders of the Company to be held on Thursday, May 20, 2004, at 10:00 a.m., local time, at the Albany Marriott, 189 Wolf Road, Albany, New York, and any adjournments or postponements thereof (the Annual Meeting).

At the Annual Meeting, the stockholders of the Company will be asked to consider and vote upon the following matters:

1. The election of three Class II Directors, each to hold office until the Company's 2007 annual meeting of stockholders and until such director's successor is duly elected and qualified; and
2. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Notice of Annual Meeting, Proxy Statement and Proxy Card are first being mailed to stockholders of the Company on or about April 14, 2004 in connection with the solicitation of proxies for the Annual Meeting. The Board of Directors has fixed the close of business on March 26, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting (the Record Date). Only holders of record of the Company's common stock, par value \$.01 per share (Common Stock), at the close of business on the Record Date will be entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, there were 72,993,163 shares of Common Stock outstanding and entitled to vote at the Annual Meeting and approximately 2,600 stockholders of record. However, management believes that a significant number of shares are held by brokers under a nominee name and that the number of beneficial shareholders of our Common Stock exceeds 80,000. Each holder of Common Stock outstanding as of the close of business on the Record Date will be entitled to one vote for each share held of record with respect to each matter submitted at the Annual Meeting.

The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. A quorum being present, the affirmative vote of a plurality of the

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votes is necessary to elect a nominee as a director of the Company.

Shares that reflect abstentions or broker non-votes (i.e., shares represented at the Annual Meeting held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote such shares and with respect to which the broker or nominee does not have discretionary voting power to vote such shares) will be counted for purposes of determining whether a quorum is present for the transaction of business at the meeting. With respect to the election of directors, votes may be cast in favor of or withheld from each nominee; votes that are withheld will be excluded entirely from the vote and will have no effect on the vote. Broker non-votes will also have no effect on the outcome of the election of directors.

Stockholders of the Company are requested to complete, date, sign and return the accompanying Proxy Card in the enclosed envelope. Stockholders who hold shares indirectly as the beneficial owner of shares held for them

by a broker or other nominee (i.e., in street name) may direct their vote without attending the Annual Meeting by submitting voting instructions to their broker or nominee. Common Stock represented by properly executed proxies received by the Company and not revoked will be voted at the Annual Meeting in accordance with the instructions contained therein. If instructions are not given therein, properly executed proxies will be voted FOR the election of the three nominees of the Board of Directors as Class II Directors of the Company as listed in this Proxy Statement. It is not anticipated that any matters other than those set forth in this Proxy Statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders.

Any properly completed proxy may be revoked at any time before it is voted on any matter (without, however, affecting any vote taken prior to such revocation) by (1) giving written notice of such revocation to the Corporate Secretary of the Company, (2) signing and duly delivering a proxy bearing a later date (or submitting new voting instructions with respect to shares held in street name), or (3) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

The Annual Report of the Company is being mailed to stockholders of the Company concurrently with this Proxy Statement.

PROPOSAL 1
ELECTION OF DIRECTORS

The number of directors of the Company is fixed at ten and the Board of Directors currently consists of ten members. The Board of Directors is divided into three classes, with four directors in Class I, three directors in Class II and three directors in Class III. Directors serve for three-year terms with one class of directors being elected by the Company's stockholders at each annual meeting of stockholders.

At the Annual Meeting, three Class II Directors will be elected to serve until the annual meeting of stockholders in 2007 and until such directors successors are duly elected and qualified. The Board of Directors has nominated George C. McNamee, Douglas T. Hickey and J. Douglas Grant for re-election as Class II Directors. Shares represented by each properly executed proxy will be voted for the re-election of George C. McNamee, Douglas T. Hickey and J. Douglas Grant as directors, unless contrary instructions are set forth on enclosed proxy card. The nominees have agreed to stand for re-election and to serve, if elected, as directors. However, if any nominee fails to stand for re-election or is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

Vote Required For Approval

A quorum being present, the affirmative vote of a plurality of the votes cast is necessary to elect a nominee as a director of the Company.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE ELECTION OF EACH NOMINEE OF THE BOARD OF DIRECTORS AS A DIRECTOR OF THE COMPANY.

Information about our Directors

Set forth below is certain information regarding the directors of the Company, including the Class II Directors who have been nominated for re-election at the Annual Meeting.

| Name | Age | Director Since |
|------------------------------------|-----|----------------|
| Class II Term Expires 2004 | | |
| George C. McNamee* (2)(3) | 57 | 1997 |
| Douglas T. Hickey* (2) | 48 | 2000 |
| J. Douglas Grant* (1) | 66 | 2002 |
| Class III Term Expires 2005 | | |
| John M. Shalikashvili(1) | 67 | 1999 |
| Larry G. Garberding(1) | 65 | 1997 |
| Richard R. Stewart(3) | 54 | 2003 |

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Class I Term Expires 2006

| | | |
|---------------------------|----|------|
| Dr. Roger B. Saillant | 61 | 2000 |
| Anthony F. Earley, Jr.(3) | 54 | 1997 |
| Gary K. Willis(2) | 58 | 2003 |
| Maureen O. Helmer | 47 | 2004 |

* Nominee for re-election.

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance and Nominating Committee.

The principal occupation and business experience for at least the last five years for each director of the Company is set forth below.

Dr. Roger B. Saillant has served as our President and Chief Executive Officer and a member of the Board of Directors since December 2000. Prior to joining Plug Power, Dr. Saillant spent over 30 years with Ford Motor Company and Visteon Corporation, a full-service supplier of technology solutions to automotive manufacturers within the automotive aftermarket, a spin-off of Ford Motor Company, where he most recently served as Vice President and General Manager of Visteon's Energy Transformation Systems group. Dr. Saillant was responsible for several billion in revenue, including Visteon's Distributive Power unit, and for overseeing 12,000 employees on four continents. While at Ford Motor Company and Visteon Corporation, he held numerous management positions in the areas of component engineering, catalysis, electronics, and manufacturing. Dr. Saillant holds a Bachelor of Science degree in Chemistry from Bowdoin College and a Ph.D. in Chemistry from Indiana University, as well as a post-doctorate degree in Organometallic Chemistry from the University of California.

Anthony F. Earley, Jr. has served as a director of DTE Energy Company since 1994, as Chairman of the Board and Chief Executive Officer of DTE Energy Company and its subsidiary, The Detroit Edison Company, since 1998, and as President and Chief Operating Officer of DTE Energy Company and Detroit Edison since 1994. From 1989 to 1994, Mr. Earley served as the President and Chief Operating Officer of Long Island Lighting Company. Mr. Earley currently serves as a director of Comerica Bank, Mutual of America Capital Management Corporation and MASCO Corporation. Mr. Earley received a Bachelor of Science degree in Physics, a Master of Science degree in Engineering, and a Juris Doctorate from the University of Notre Dame.

Gary K. Willis retired as Chairman of the Board of Directors of Zygo Corporation, a provider of metrology, optics, optical assembly, and systems solutions to the semiconductor, optical manufacturing, and industrial/automotive markets, in November 2000 after having served in that capacity since November 1998. Mr. Willis had been a director of Zygo Corporation since February 1992 and also served as President from 1992 to 1999 and as Chief Executive Officer from 1993 to 1999. Prior to joining Zygo Corporation, Mr. Willis served as the President and Chief Executive Officer of The Foxboro Company, a manufacturer of process control instruments and systems. Mr. Willis is also a director of Rofin-Sinar Technologies, Inc., Benthos Corporation and Middlesex Health Services, Inc. Mr. Willis also serves as a member of the Audit Committee of Rofin-Sinar Technologies, Inc. and Benthos Corporation and Chairman of the Compensation Committee of Benthos Corporation. Mr. Willis holds a Bachelor of Science degree in Mechanical Engineering from Worcester Polytechnical Institute.

George C. McNamee has served as Chairman of First Albany Companies Inc., a specialty investment banking firm, since 1984 and is a managing partner of FA Technology Ventures, an information and energy technology venture capital firm. Mr. McNamee also serves as a director of META Group, Inc., a company that provides market assessments for clients in the information technology industry. Mr. McNamee is a member of the Board of Directors of the New York Conservation Education Fund. Mr. McNamee received his Bachelor of Arts degree from Yale University.

Douglas T. Hickey has served as General Partner at Hummer-Winblad Venture Partners, a software venture capital firm, since October 2001. Prior to 2001, Mr. Hickey served as Chief Executive Officer and Director of Critical Path Inc., a messaging services provider. Prior to joining Critical Path, he was Senior Vice President of Frontier Corporation and President of Frontier GlobalCenter, leading Frontier's strategic direction into the internet and data environment. Mr. Hickey joined GlobalCenter in its infancy and, as Chief Executive Officer, built that company into one of the leading web hosting organizations, ultimately leading to its merger with Frontier. Prior to joining GlobalCenter, he was President of Internet services at MFS Communications, which acquired UUnet Technologies, the first commercial Internet service provider. Before joining MFS Communications, Mr. Hickey was general manager of North American sales and field operation at wireless pioneer Ardis, a Motorola company. He led Ardis's marketing and sales operation, including its successful direct and indirect distribution channels. Mr. Hickey holds a degree in Economics from Siena College.

J. Douglas Grant is a director of Sceptre Investment Counsel Limited, the tenth largest investment management company in Canada, and served as Chairman from 1986 to 2003 and as Chief Executive Officer from 1976 to 1990. In 1974 Mr. Grant was the President of the Toronto Society of Financial Analysts. Mr. Grant is currently a Director of the Ontario Teachers Pension Plan, the second largest pension fund in Canada. Mr. Grant attended the University of Toronto and graduated with a Bachelor of Arts in Political Science and Economics. Mr. Grant is a Fellow of the Institute of Chartered Accountants of Ontario and is a Chartered Financial Analyst. Mr. Grant's son is the son-in-law of Dr. Roger B. Saillant, Plug Power's President and Chief Executive Officer.

John M. Shalikashvili (U. S. Army-ret) was the senior officer of the United States military and principal military advisor to the President of the United States, the Secretary of Defense and National Security Council by serving as the thirteenth Chairman of the Joint Chiefs of Staff, Department of Defense, for two terms from 1993 to 1997. Prior to his tenure as Chairman of the Joint Chiefs of Staff, he served as the Commander in Chief of all United States forces in Europe and as NATO's tenth Supreme Allied Commander, Europe. He has also served in a variety of command and staff positions in the continental United States, Alaska, Belgium, Germany, Italy, Korea, Turkey and Vietnam. General Shalikashvili is currently a director of L-3 Communications Holdings, Inc., a manufacturer of communications and related equipment, The Boeing Company, United Defense Industries, Inc., a publicly traded manufacturer of military track equipment and naval armament and the Russell Trust Co, a fully-owned subsidiary of Frank Russell Company, a non-depository bank. General Shalikashvili received a Bachelor of Science degree in Mechanical Engineering from Bradley University and a Master of Arts degree in International Affairs from George Washington University, and is a graduate of the Naval Command and Staff College and the United States Army War College.

Larry G. Garberding was a Director and Executive Vice President and Chief Financial Officer of DTE Energy Company and the Detroit Edison Company from 1990 through 2001. Mr. Garberding is currently a Director of Altarum Institute, a non-profit research and innovations institute, H2Gen Innovations, Inc., a developer of hydrogen generation equipment, Intermagnetics General Corporation, a manufacturer of magnetic resonance imaging and instrumentation products and Intermap Technologies Corporation, a digital mapping company. Mr. Garberding received a Bachelor of Science degree in Industrial Administration from Iowa State University.

Richard R. Stewart serves as President and Chief Executive Officer of GE Aero Energy (a business of GE Energy), a \$2 billion segment of the General Electric Company that is headquartered in Houston, Texas and is a leading supplier of aeroderivative gas turbines for marine and commercial applications and the world's largest aeroderivatives gas turbine service provider. Mr. Stewart began his General Electric career in 1998, as a result of General Electric's acquisition of Stewart & Stevenson Services, Inc. Mr. Stewart began his career at Stewart and Stevenson Services, Inc. in 1972. Throughout his 26 years with Stewart & Stevenson, he was promoted in various positions and was Group Vice President and had served on the Board of Directors for 4 years at the time of the acquisition. Mr. Stewart graduated from the University of Texas, in Austin, Texas with a B.B.A. in Finance.

Maureen O. Helmer has been partner in the Albany, New York law firm of Couch White, LLP since April of 2003. From 1998 to 2003, Ms. Helmer served as Chairman of the New York State Public Service Commission. While Chairman, Ms. Helmer also served as Chairman of the New York State Board on Electric Generation Siting and the Environment. Prior to her appointment as Chairman, Ms. Helmer served as Commissioner of the Public Service Commission from 1997 and was General Counsel to the Department of the Public Service Commission from 1995 through 1997. Ms. Helmer currently serves on the Foundation Board of the State University of New York at Albany and the Steering Committee for the Rappleyea Lawyer in Residence Initiative at Albany Law School Government Law Center. Ms. Helmer received a Bachelor of Science degree in Economics from the State University of New York at Albany and a Juris Doctorate from Buffalo Law School.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors of the Company held six (6) meetings during the fiscal year ended December 31, 2003 (Fiscal 2003). During Fiscal 2003, each of the incumbent directors attended or participated in 75% or more of the meetings of the Board held during the period such person served as a director. The Board of Directors has established three standing committees, an Audit Committee (the Audit Committee), a Compensation Committee (the Compensation Committee) and a Corporate Governance and Nominating Committee (the Corporate Governance Committee).

Audit Committee

The Audit Committee consists of Messrs. Garberding (Chairman), Shalikashvili and Grant. The Audit Committee held four (4) meetings during Fiscal 2003 and each member attended all of the meetings during the period in which such person served on the committee.

Audit Committee Report

The Audit Committee of the Board of Directors of the Company is currently composed of three non-employee directors. The Board has made a determination that the members of the Audit Committee are independent as defined in Rule 4200 (a) (15) under the Marketplace Rules of the National Association of Securities Dealers, Inc. and the applicable rules of the Securities and Exchange Commission (SEC). In addition, the Board has made a determination that Mr. Garberding qualifies as an audit committee financial expert as defined in Section 407 of the Sarbanes-Oxley Act of 2002. Mr. Garberding's designation by the Board as an audit committee financial expert is not intended to be a representation that he is an expert for any purpose as a result of such designation, nor is it intended to impose on him any duties, obligations, or liability greater than the duties, obligations or liability imposed on him as a member of the Audit Committee and the Board in the absence of such designation.

The responsibilities of the Audit Committee are set forth in the Charter of the Audit Committee, which was amended by the Board of Directors of the Company on February 12, 2004 and is attached as Appendix A hereto. Under the Committee's charter, management has the primary responsibility for the financial statements and the financial reporting process, including the system of internal control over financial reporting. The Company's independent auditors, KPMG, report directly to the Committee and are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee, among other matters, is responsible for appointing the Company's independent auditors, evaluating such independent auditors' qualifications, independence and performance, determining the compensation for such independent auditor, and pre-approval of all audit and non-audit services. Additionally, the Committee is responsible for oversight of the Company's accounting and financial reporting processes and audits of the Company's financial statements including the work of the independent auditor. The Committee reports to the Board of Directors with regard to:

the scope of the annual audit;

fees to be paid to the auditors;

the performance of our independent auditors;

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compliance with accounting and financial policies and financial statement presentation; and

our procedures and policies relative to the adequacy of internal accounting controls.

The Committee reviewed and discussed with management of the Company and KPMG, the Company's 2003 quarterly consolidated financial statements and 2003 annual consolidated financial statements. Management has represented to the Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

Additionally, the Committee has discussed with KPMG any matters required to be discussed under Statement on Auditing Standards No. 61 (Communication with Audit Committees), which include, among other items, matters related to the conduct of the audit of the Company's annual consolidated financial statements. The Committee has also discussed the critical accounting policies used in the preparation of the Company's annual consolidated financial statements, alternative treatments of financial information within generally accepted accounting principles that KPMG discussed with management, the ramifications of using such alternative treatments and other written communications between KPMG and management.

KPMG has provided to the Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Committee discussed with KPMG that firm's independence. The Committee has also considered whether the performance of non-audit services, if any, by KPMG is compatible with maintaining the auditors' independence.

The Committee also discussed with KPMG their overall scope and plans for their audit and has met with KPMG, with and without management present, to discuss the results of their audit, the evaluations of the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting. The Committee also discussed with KPMG whether there were any audit problems or difficulties, and management's response.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. The Committee has also appointed KPMG as the Company's independent auditors for the fiscal year ending December 31, 2004.

Audit Committee:

Larry Garberding (Chairman)

J. Douglas Grant

John M. Shalikashvili

Independent Auditors Fees

The following table presents fees for professional services rendered by KPMG LLP for the audit of the Company's annual financial statements for the years ended December 31, 2003 and 2002, and fees billed for other services rendered by KPMG LLP:

| | <u>2003</u> | <u>2002</u> |
|--------------------|-------------|-------------|
| Audit Fees | \$ 90,000 | \$ 75,000 |
| Audit-Related Fees | 116,014 | 273,544 |
| Tax Fees | 37,980 | 74,818 |

In the above table, and in accordance with new SEC definitions and rules: (1) audit fees are fees for professional services for the audit of the Company's consolidated financial statements included in Form 10-K and review of financial statements included in Form 10-Qs, or for services

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that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; (2) audit-related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements; and (3) tax fees are fees for tax compliance, tax advice, and tax planning.

Compensation Committee

The Compensation Committee consists of Messrs. Willis (Chairman), Hickey and McNamee who served for the period from October 2003 through December 2003. Messrs. Earley (Chairman) and McNamee served on the Compensation Committee for the period January 2003 through September 2003. The Compensation Committee held three (3) meetings during Fiscal 2003 and each member attended all of the meetings during the period in which such person served on the committee. The Compensation Committee reviews and approves the non-stock compensation arrangements for officers and other senior level employees (including the CEO), reviews general compensation levels for other employees as a group, and takes such other action as may be required in connection with the Company's compensation and incentive plans. The Compensation Committee also determines the stock options or stock grants to eligible persons under the Company's 1999 Stock Option and Incentive Plan (See EXECUTIVE COMPENSATION Report of the Compensation Committee and the Board of Directors on Executive Compensation and Compensation Committee Interlocks and Insider Participation). The Committee's charter is available on the Company's website at www.plugpower.com, under the link for Investor Relations.

Corporate Governance and Nominating Committee

The Corporate Governance Committee consists of Messrs. Earley (Chairman), McNamee and Stewart. The Corporate Governance Committee's responsibilities include establishing criteria for Board and committee membership, considering director nominations consistent with the requirement that a majority of the Board be comprised of directors who meet the independence requirements set forth in Rule 4350 of the Marketplace Rules of the National Association of Securities Dealers, Inc., identifying individuals qualified to become board members, and selecting the director nominees for election at each annual meeting of stockholders.

In seeking and evaluating prospective members of the Board, the Nominating and Governance Committee considers the nature and scope of the Company's business activities, and the capacity of the Board to provide oversight and positive contributions in areas of particular significance to the long-term creation of shareholder value. The Committee believes that individual candidates should also demonstrate proven success in business environments, high levels of commitment, adequate availability to actively participate in the Board's affairs, and high levels of integrity and sensitivity to current business and corporate governance trends. Before recommending a candidate to the full Board, all members of the Committee will participate in meetings with the candidate, and the Committee also seeks to arrange meetings between the candidate and other Board members.

Candidates are typically identified by other Board members or in Board-member discussions with third parties, and the Committee will consider individuals recommended by shareholders. A shareholder who wishes to recommend a candidate for consideration by the Committee should do so in writing by submitting the candidate's name, and qualifications c/o Plug Power Inc., 968 Albany-Shaker Road, Latham, NY 12110, attention Corporate Secretary. Candidates recommended by shareholders will be considered according to the same standards of perceived Company need and potential individual contribution as are applied to candidates from other sources.

The Corporate Governance Committee is also responsible for developing and recommending to the Board a set of corporate governance guidelines applicable to the Company and periodically reviewing such guidelines and recommending any changes thereto. The Committee's charter is available on the Company's website at www.plugpower.com, under the link for Investor Relations.

Director Compensation

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The Compensation Committee periodically reviews the Company's Non-Employee Director Compensation Plan (Plan) to ensure that the compensation aligns the directors' interests with the long-term interests of our stockholders; and that the structure of the compensation is simple, transparent and easy for stockholders to understand. The Committee also considers whether the Plan fairly compensates our directors when considering

the work required in a company of our size and scope. Employee directors do not receive additional compensation for their services as directors. Following is a summary of the Plan:

Under the Plan, upon initial election or appointment to the Board of Directors, new non-employee directors receive non-qualified stock options to purchase 15,000 shares (50,000 shares for any new non-employee Chairman) of Common Stock with an exercise price equal to fair market value on the date of grant and that are fully vested upon grant. Each year of a non-employee director's tenure, the director will receive non-qualified options to purchase 10,000 shares (15,000 shares for any non-employee Chairman), plus non-qualified options to purchase an additional 5,000 shares for serving as chairman of the Audit Committee and non-qualified options to purchase an additional 2,000 shares for serving as chairman of any other committee, including the Compensation Committee. These annual options, with an exercise price equal to fair market value on the date of grant, fully vest on the first anniversary of the date of grant.

In addition, each non-employee director is paid an annual retainer of \$20,000 (\$25,000 for any non-employee Chairman) for their services. Committee members receive additional annual retainers in accordance with the following:

| Committee | Non- Employee Chairman | Non- Employee Director |
|---|---------------------------------------|---------------------------------------|
| Audit Committee | \$ 15,000 | \$ 10,000 |
| Compensation Committee | 10,000 | 5,000 |
| Corporate Governance and Nominating Committee | 10,000 | 5,000 |

These additional payments for service on a committee are due to the workload and broad-based responsibilities of the committees.

The total amount of the annual retainers are paid in a combination of fifty (50%) percent cash and fifty (50%) percent Common Stock with an option to receive up to one hundred (100%) percent Common Stock, at the election of the non-employee director. All such stock shall be fully vested at the time of issuance. Non-employee directors are also reimbursed for their direct expenses associated with their attendance at board meetings.

Contacting the Board of Directors

You may contact any of our directors by writing to them c/o Plug Power Inc., 968 Albany-Shaker Road, Latham, New York 12110, attention: Corporate Secretary. Your letter should clearly specify the name of the individual director or group of directors to whom your letter is addressed. Any communications received in this manner will be forwarded as addressed.

EXECUTIVE OFFICERS

The names and ages of all executive officers of the Company and the principal occupation and business experience for at least the last five years for each are set forth below.

| <u>Executive Officers</u> | <u>Age</u> | <u>Position</u> |
|---------------------------|------------|--|
| Dr. Roger B. Saillant | 61 | President, Chief Executive Officer and Director |
| Gregory A. Silvestri | 43 | Chief Operating Officer |
| David A. Neumann | 41 | Vice President and Chief Financial Officer |
| Mark A. Sperry | 43 | Vice President and Chief Marketing Officer |
| Dr. John F. Elter | 62 | Vice President of Research and System Architecture |

Dr. Roger B Saillant's biographical information can be found in the section entitled *Information about our Directors* in this proxy statement.

Gregory A. Silvestri has served as Chief Operating Officer since August 2000. In that capacity, Mr. Silvestri manages the full range of manufacturing activities, product engineering and supply chain management. From June 1999 to August 2000 Mr. Silvestri served as our Vice President of Operations. From May 1991 to May 1999, Mr. Silvestri served in a number of senior general management positions responsible for North American and Asia-Pacific operations for Norton Company, an operating unit of Saint-Gobain Corporation that supplies engineered materials to a variety of industries. Prior to that time, Mr. Silvestri served as an Engagement Manager within the Industrial Practice Group of McKinsey & Company. Mr. Silvestri received his Bachelor of Science and Engineering degree in Chemical Engineering from Princeton University and a Masters in Business Administration degree, with honors, from the University of Virginia.

David A. Neumann was appointed Vice President and Chief Financial Officer in January 2003. In that capacity, Mr. Neumann is responsible for management of finance, accounting, investor relations and information systems. Prior to his appointment, Mr. Neumann served as Corporate Controller for the Company since December 1997. Prior to joining the Company, Mr. Neumann was with Trans World Entertainment, where he managed the external reporting functions of the Company. Mr. Neumann also held the position of Assistant Corporate Controller for The Raymond Corporation in Greene, New York and was a senior associate with PricewaterhouseCoopers (formerly Coopers & Lybrand). Mr. Neumann is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from the State University of New York at Plattsburgh.

Mark A. Sperry has served as Vice President and Chief Marketing Officer since May 2000. In that capacity, Mr. Sperry is responsible for all sales and marketing activities including product strategy development, channel management, market engagement, government relations and marketing communications. Additionally, Mr. Sperry manages our field service and applications development activities. Prior to joining the Company, Mr. Sperry spent 15 years at Xerox Corporation, where he most recently served as Vice President and General Manager for the Production Color Business within the North American Solutions Group. While at Xerox, he held a wide variety of positions spanning finance, operations, marketing and strategy, including worldwide marketing responsibility for the highly successful, multi-billion dollar DocuTech product family. Mr. Sperry received Bachelor of Arts degrees in Economics and Political Science from Dickinson College and a Masters in Business Administration from Syracuse University.

Dr. John F. Elter has served as Vice President of Research and Systems Architecture since March 2001. Prior to joining Plug Power, Dr. Elter worked at Eastman Kodak Corporation, where he most recently served as Vice President and Chief Technology Officer in the professional division. Prior to his employment at Eastman Kodak Corporation, Dr. Elter spent over 30 years at Xerox Corporation, where he held a variety of management positions spanning advanced technology, engineering, quality, strategy and architecture, business development and operations. Dr. Elter has a proven track record in leading high technology innovation and product commercialization, which includes two major product

platforms at Xerox Corporation that have generated over

\$40 billion in revenue. Dr. Elter holds a Bachelor of Science degree in Mechanical Engineering from Purdue University, a Master of Science degree in Mechanical Engineering from New York University, and a Ph.D. in Mechanical and Aerospace Sciences from the University of Rochester.

Subject to any terms of any employment agreement with the Company (as further described in the Proxy Statement), each of the executive officers holds his or her respective office until the regular annual meeting of the Board of Directors following the annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth information concerning compensation for services rendered in all capacities awarded to, earned by or paid to the individual serving as the Company's Chief Executive Officer and the four other most highly compensated executive officers during Fiscal 2003 (named executive officers).

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | Long-Term Compensation | | |
|--|------|---------------------|------------|---------------------------------|--------------------------------------|----------------------------|
| | | Salary (\$) | Bonus (\$) | Restricted Stock Awards (\$)(1) | Securities Underlying Options (#)(2) | All Other Compensation(\$) |
| Dr. Roger B. Saillant(3) | 2003 | 300,000 | | | | 15,352 |
| President and Chief Executive Officer | 2002 | 300,000 | | | | 11,881 |
| | 2001 | 300,000 | | 84,900 | 11,747 | 12,849 |
| Gregory A. Silvestri(4) | 2003 | 249,552 | 42,650 | 35,463 | | |
| Chief Operating Officer | 2002 | 235,000 | 48,500 | | | |
| | 2001 | 234,038 | 66,505 | 39,247 | 30,000 | 117,500 |
| Mark A. Sperry(5) | 2003 | 218,601 | 38,875 | 406,400 | | 10,930 |
| Vice President and Chief Marketing Officer | 2002 | 205,000 | 48,500 | | | 4,613 |
| | 2001 | 204,520 | 58,015 | | 35,027 | 2,819 |
| Dr. John F. Elter(6) | 2003 | 244,904 | 37,500 | 169,332 | | 12,245 |
| Vice President of Research and System Architecture | 2002 | 225,000 | 48,500 | | | 10,471 |
| | 2001 | 193,846 | 98,763 | | 35,810 | 37,813 |
| David A. Neumann(7) | 2003 | 147,116 | 39,575 | 71,120 | | 7,356 |
| Vice President and Chief Financial Officer | 2002 | 100,000 | 30,000 | | | 4,558 |
| | 2001 | 99,519 | 28,300 | | 23,916 | 3,981 |

(1)

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The amounts in this column represent the value of Restricted Common Stock awards. The value of these awards is calculated by multiplying the closing market price of our common stock on the date of grant.

On June 20, 2003, we issued shares of Restricted Common Stock pursuant to a stock option exchange approved by our shareholders. The shares of Restricted Common Stock, valued at \$5.08 per share, which was based on the closing market price of our Common Stock on the date of grant, will vest in three equal installments on March 20, 2005, June 20, 2005 and September 20, 2005. Under this exchange offer, Mr. Silvestri received 26,666 shares of Restricted Common Stock, Mr. Sperry received 80,000 shares of Restricted Common Stock, Mr. Elter received 33,333 shares of Restricted Common Stock and Mr. Neumann received 14,000 shares of Restricted Common Stock.

On November 14, 2001, the Company awarded 9,953 shares of Restricted Common Stock to Dr. Saillant and 4,601 shares of Restricted Common Stock to Mr. Silvestri, for services rendered in 2001, valued at \$8.53 per share, which was based on the closing market price of the Common Stock on the date of grant. Dr. Saillant's Restricted Common Stock vests on November 14, 2004 provided he is employed with the Company through that date. Of the Restricted Common Stock awarded to Mr. Silvestri, 2,300 vested on November 14, 2002 and 2,301 vested on November 14, 2003.

- (2) The amounts for 2001 exclude 2001 stock option awards tendered pursuant to the June 2003 stock option exchange described in footnote (1) of the Summary Compensation Table. The number of stock options excluded for Messrs. Silvestri, Sperry, Elter and Neumann are 30,000, 50,000, 100,000 and 10,000 options, respectively.
- (3) The amount of other compensation in 2003 and 2002 represents the dollar value of matching contributions we made under our 401(k) Savings and Retirement Plan in the amount of \$15,352 and \$11,881, respectively. The amount in 2001 represents \$6,000 of matching contributions we made under our 401(k) Savings and Retirement Plan and moving and relocation expenses of \$6,849 paid by the Company. In aggregate, Dr. Saillant held 9,953 shares of vested and unvested Restricted Common Stock with a value of \$72,159, based on the closing market price of our Common Stock at December 31, 2003.
- (4) The amount of other compensation in 2001 represents the taxable amount attributable to the exercise of non-qualified employee stock options. In aggregate, Mr. Silvestri held 31,297 shares of vested and unvested Restricted Common Stock with a value of \$226,686, based on the closing market price of our Common Stock at December 31, 2003.
- (5) The amount of other compensation in 2003, 2002 and 2001 represents the dollar value of matching contributions we made under our 401(k) Savings and Retirement Plan in the amount of \$10,930, \$4,613 and \$2,819, respectively. In aggregate, Mr. Sperry held 80,000 shares of unvested Restricted Common Stock with a value of \$580,000, based on the closing market price of our Common Stock at December 31, 2003.
- (6) The amount of other compensation in 2003 and 2002 represents the dollar value of matching contributions we made under our 401(k) Savings and Retirement Plan in the amount of \$12,245 and \$10,471, respectively. The amount of other compensation in 2001 represents the dollar value of matching contributions we made under our 401(k) Savings and Retirement Plan in the amount of \$2,942 and moving and relocation expenses of \$34,871 paid by the Company. In 2003, Mr. Elter elected to receive a portion of his annual bonus in the form of Plug Power common stock in the amount of \$32,500. In aggregate, Mr. Elter held 33,333 shares of unvested Restricted Common Stock with a value of \$241,664, based on the closing market price of our Common Stock at December 31, 2003.
- (7) Mr. Neumann was appointed Vice President and Chief Financial Officer in January 2003. The amount of other compensation in 2003, 2002 and 2001 represents the dollar value of matching contributions we made under our 401(k) Savings and Retirement Plan in the amount of \$7,356, \$4,558 and \$3,981, respectively. In aggregate, Mr. Neumann held 14,000 shares of unvested Restricted Common Stock with a value of \$101,500, based on the closing market price of our Common Stock at December 31, 2003.

Option Grants In Last Fiscal Year

We did not grant stock options to any of the named executive officers in Fiscal 2003.

Fiscal Year-End Option Values

Option Exercises and Option Values. The following table sets forth the number and value of unexercised options to purchase our Common Stock held by the named executive officers at December 31, 2003. None of the named executive officers exercised any stock options in Fiscal 2003.

Aggregated Option Exercises in the Last Fiscal Year and Fiscal Year-End Option Values

| Name | Shares Acquired on Exercise(#) | Value Realized(\$) | Number of Securities Underlying Unexercised Options at Fiscal Year-End(#) | | Value of Unexercised In-the-Money Options at Fiscal Year-End(\$)(1) | |
|-----------------------|--------------------------------------|-----------------------|---|---------------|---|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| | | | | | | |
| Dr. Roger B. Saillant | | | 386,747 | | | |