CAPSTONE TURBINE Corp
Form 10-Q
August 07, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

or

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

For the transition period from to

Commission File Number: 001-15957

Capstone Turbine Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-4180883 (I.R.S. Employer Identification No.)
16640 Stagg Street Van Nuys, California (Address of principal executive offices)	91406 (Zip Code)

818-734-5300

(Registrant's telephone number, including area code)

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 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
Emerging growth company		(Do not check if a smaller reporting	

company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

The number of shares outstanding of the registrant's common stock as of August 3, 2018 was 64,193,809.

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CAPSTONE TURBINE CORPORATION

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

	June 30, 2018	March 31, 2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 13,569	$ 14,408
Restricted cash	6,000	5,000
Accounts receivable, net of allowances of $5,677 at June 30, 2018 and $5,744 at March 31, 2018	15,886	15,968
Inventories, net	16,055	15,633
Prepaid expenses and other current assets	5,018	2,803
Total current assets	56,528	53,812
Property, plant and equipment, net	2,788	2,859
Non-current portion of inventories	1,103	1,041
Intangible assets, net	355	411
Other assets	315	250
Total assets	$ 61,089	$ 58,373
Liabilities and Stockholders’ Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 13,560	$ 13,503
Accrued salaries and wages	1,334	1,588
Accrued warranty reserve	1,861	1,682
Deferred revenue	6,529	6,596
Revolving credit facility	10,024	8,527
Current portion of notes payable and capital lease obligations	77	192
Total current liabilities	33,385	32,088
Deferred revenue - non-current	1,121	—
Long-term portion of notes payable and capital lease obligations	121	130
Other long-term liabilities	403	396
Total liabilities	35,030	32,614
Commitments and contingencies (Note 15)		

Stockholders’ Equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value; 515,000,000 shares authorized, 64,340,430 shares issued and 64,192,796 shares outstanding at June 30, 2018; 57,062,598 shares issued and 56,916,646 shares outstanding at March 31, 2018	64	57
Additional paid-in capital	894,777	889,585
Accumulated deficit	(867,121)	(862,225)
Treasury stock, at cost; 147,634 shares at June 30, 2018 and 145,952 shares at March 31, 2018	(1,661)	(1,658)
Total stockholders’ equity	26,059	25,759
Total liabilities and stockholders' equity	$ 61,089	$ 58,373

See accompanying notes to condensed consolidated financial statements.

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CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

	Quarter Ended June 30,	
	2018	2017
Revenue:		
Product, accessories and parts	$ 17,085	$ 15,491
Service	4,104	3,749
Total revenue	21,189	19,240
Cost of goods sold:		
Product, accessories and parts	15,630	14,037
Service	3,737	2,964
Total cost of goods sold	19,367	17,001
Gross margin	1,822	2,239
Operating expenses:		
Research and development	932	1,149
Selling, general and administrative	5,651	4,960
Total operating expenses	6,583	6,109
Loss from operations	(4,761)	(3,870)
Other expense	(14)	(10)
Interest income	—	9
Interest expense	(118)	(221)
Loss before provision for income taxes	(4,893)	(4,092)
Provision for income taxes	4	—
Net loss	$ (4,897)	$ (4,092)
Net loss per common share—basic and diluted	$ (0.08)	$ (0.10)
Weighted average shares used to calculate basic and diluted net loss per common share	61,762	41,081

See accompanying notes to condensed consolidated financial statements.

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CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Quarter Ended June 30, 2018	2017
Cash Flows from Operating Activities:		
Net loss	$ (4,897)	$ (4,092)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	287	304
Amortization of deferred financing costs	38	105
Reduction in accounts receivable allowances	(3)	(13)
Inventory provision	137	183
Provision for warranty expenses	397	779
Loss on disposal of equipment	7	23
Stock-based compensation	227	154
Changes in operating assets and liabilities:		
Accounts receivable	84	4,786
Inventories	(621)	(1,010)
Prepaid expenses and other current assets	(2,324)	296
Accounts payable and accrued expenses	61	(1,147)
Accrued salaries and wages and long term liabilities	(247)	(455)
Accrued warranty reserve	(218)	(1,472)
Deferred revenue	1,054	827
Net cash used in operating activities	(6,018)	(732)
Cash Flows from Investing Activities:		
Expenditures for property and equipment	(163)	(178)
Net cash used in investing activities	(163)	(178)
Cash Flows from Financing Activities:		
Net proceeds from (repayments of) revolving credit facility	1,497	(2,049)
Repayment of notes payable and capital lease obligations	(125)	(122)
Cash used in employee stock-based transactions	(3)	(5)
Net proceeds from issuance of common stock and warrants	4,973	2,520
Net cash provided by financing activities	6,342	344
Net increase (decrease) in Cash, Cash Equivalents and Restricted Cash	161	(566)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	19,408	19,705
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 19,569	$ 19,139
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		

Interest	$ 82	$ 108
Income taxes	$ 4	$ —
Supplemental Disclosures of Non-Cash Information:		
Acquisition of property and equipment through accounts payable	$ —	$ 7

See accompanying notes to condensed consolidated financial statements.

CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Business and Organization

Capstone Turbine Corporation (the "Company") develops, manufactures, markets and services microturbine technology solutions for use in stationary distributed power generation applications and distribution networks, including cogeneration (combined heat and power ("CHP"), integrated combined heat and power ("ICHP"), and combined cooling, heat and power ("CCHP")), renewable energy, natural resources and critical power supply. In addition, the Company's microturbines can be used as battery charging generators for hybrid electric vehicles and to provide power to a vessel's electrical loads in marine applications. The Company's microturbines can be interconnected to other distributed energy resources to form "microgrids" (also called "distribution networks") located within a specific geographic area and provide power to a group of buildings. The Company also remanufactures microturbine engines and provides aftermarket parts and services. The Company was organized in 1988 and has been commercially producing its microturbine generators since 1998.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP") for interim financial information and the instructions to Form 10-Q and Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The condensed consolidated balance sheet at March 31, 2018 was derived from audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 2018. In the opinion of management, the interim condensed consolidated financial statements include all adjustments (including normal recurring adjustments) necessary for a fair presentation of the financial condition, results of operations and cash flows for such periods. Results of operations for any interim period are not necessarily indicative of results for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the Fiscal Year 2018. This Quarterly Report on Form 10-Q (this "Form 10-Q") refers to the Company's fiscal years ending March 31 as its "Fiscal" years.

Significant Accounting Policies Except for the accounting policy for revenue recognition that was updated, as set forth below, as a result of adopting Accounting Standards Update ("ASU") No. 2014-09 (defined below), there have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K for the Fiscal Year 2018 filed with the SEC on June 7, 2018, that have had a material impact on the Company's condensed consolidated financial statements and related notes.

Evaluation of Ability to Maintain Current Level of Operations In connection with preparing the consolidated financial statements for the first quarter of Fiscal 2019, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about the Company's ability to meet its obligations as

they became due for the next twelve months from the date of issuance of its first quarter of Fiscal 2019 interim condensed consolidated financial statements. Management assessed that there were such conditions and events, including a history of recurring operating losses, negative cash flows from operating activities, the continued impact of the volatility of the global oil and gas markets, a strong U.S. dollar in certain markets making our products more expensive in such markets and ongoing global geopolitical tensions. The Company incurred a net loss of $4.9 million and used cash in operating activities of $6.0 million for the first quarter of Fiscal 2019. The Company's working capital requirements during the first quarter of Fiscal 2019 were higher than management's expectations, which included $2.2 million in prepayments to one of the Company's single source suppliers that notified the Company that they were at maximum capacity and would require prepayment and a significant increase in the price of multiple components in order to fulfill the Company's supply requirements for Fiscal 2019 and a pay down of accrued expenses of $1.0 million with respect to the Company's one-time leadership incentive program compensation. As of June 30, 2018, the Company had cash, cash equivalents and restricted cash of $19.6 million, and outstanding borrowings under its credit facility of $10.0 million.

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Management evaluated these conditions in relation to the Company's ability to meet its obligations as they become due. The Company's ability to continue current operations and to execute on management's plans is dependent on its ability to generate cash flows from operations. Management believes that the Company will continue to make progress on its path to profitability by continuing to maintain low operating expenses and develop its geographical and vertical markets. The Company may seek to raise funds by selling additional securities (through at-the-market offerings or otherwise) or by obtaining additional debt financing. There is no assurance that the Company will be able to obtain additional funds on commercially favorable terms or at all. If the Company raises additional funds by issuing additional equity or convertible debt securities, the fully diluted ownership percentages of existing stockholders will be reduced. In addition, any equity or debt securities that the Company would issue may have rights, preferences or privileges senior to those of the holders of its common stock.

Based on the Company's current operating plan, management anticipates that, given current working capital levels, current financial projections and the ability to borrow under its credit facility with Western Alliance Bank through its Bridge Bank division ("Bridge Bank"), the Company will be able to meet its financial obligations as they become due over the next twelve months from the date of issuance of its first quarter of Fiscal 2019 financial statements.

Basis for Consolidation The consolidated financial statements include the accounts of the Company, Capstone Turbine International, Inc., its wholly owned subsidiary that was formed in June 2004 and Capstone Turbine Financial Services, LLC, its wholly owned subsidiary that was formed in October 2015, after elimination of inter-company transactions.

3. Recently Issued Accounting Standards

Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU, 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASU 2014-09"). ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers and requires more detailed disclosure to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from such contracts. ASU 2014-09 provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. On April 1, 2018, the Company adopted ASU 2014-09 under the modified retrospective transition method. This method was applied to contracts that were not complete as of the date of initial application of ASU 2014-09.

During the first quarter of Fiscal 2019, the Company recognized revenue based on ASU 2014-09, however revenue for the first quarter of Fiscal 2018 was recognized based on Accounting Standards Codification, Topic 605, Revenue Recognition. See Note 13—Revenue Recognition for additional discussion of the impact of the adoption of ASU 2014-09.

Not yet adopted

On December 22, 2017, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") directing taxpayers to consider the impact of the U.S. legislation as "provisional" when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. In accordance with SAB 118, our estimated income tax is considered provisional and the Company's analysis is expected to be finalized by the end

of the 2018 calendar year.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), ("ASU 2016-02"). The purpose of ASU 2016-02 is to provide financial statement users a better understanding of the amount, timing, and uncertainty of cash flows arising from leases. The adoption of ASU 2016-02 will result in the recognition of a right-of-use asset and a lease liability for most operating leases. New disclosure requirements include qualitative and quantitative information about the amounts recorded in the financial statements. In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842), which provides additional implementation guidance on the previously issued ASU 2016-02 Leases (Topic 842).

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ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 requires a modified retrospective transition by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is effective with the option to elect certain practical expedients. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-02 on its consolidated financial position and results of operations.

4. Customer Concentrations and Accounts Receivable

Sales to Warren CAT, a direct sale to a domestic end-use customer, Supernova Energy Services SAS (“Supernova”), one of the Company’s Latin American distributors and E-Finity Distributed Generation, LLC (“E-Finity), one of the Company’s domestic distributors, accounted for 18%, 12% and 10%, respectively, of revenue for the first quarter of Fiscal 2019. Sales to Horizon Power Systems (“Horizon”), one of the Company’s domestic distributors, and E-Finity, accounted for 21% and 15%, respectively, of revenue for the first quarter of Fiscal 2018.

Additionally, Serba Dinamik Sdn Bhd (“Serba”), one of the Company’s Malaysian distributors, Supernova, Reliable Secure Power Systems, one of the Company’s domestic distributors (“RSP”) and E-Finity accounted for 15%, 12%, 10% and 10%, respectively, of net accounts receivable as of June 30, 2018. Serba, E-Finity, and Supernova accounted for 20%, 18% and 10%, respectively, of net accounts receivable as of March 31, 2018.

On October 13, 2017, the Company entered into an Accounts Receivable Assignment Agreement (the “Assignment Agreement”) and Promissory Note (the “Note”) with Turbine International, LLC (“TI”).

Pursuant to the terms of the Assignment Agreement, the Company agreed to assign to TI the right, title and interest to receivables owed to the Company from BPC Engineering, its former Russian distributor (“BPC”), upon TI’s payment to the Company of $2.5 million in three payments by February 1, 2018. The Company received payments from TI of approximately $1.0 million under the Assignment Agreement during Fiscal 2018, which was recorded as bad debt recovery. The receivables owed to the Company from BPC had a balance of $5.3 million as of June 30, 2018, and this balance was fully reserved. As of June 30, 2018, the right, title and interest to the receivables owed to the Company from BPC had not been assigned to TI, as TI had not yet made all payments as required under the Assignment Agreement by February 1, 2018.

On October 13, 2017, the Company and Hispania Petroleum, S.A. (the “Guarantor”) entered into a Guaranty Agreement (the “Guaranty Agreement”) whereby the Guarantor guarantees TI’s obligations under the Agreement and Note. However, due to the Company’s limited business relationship with TI and the missed payments on the Assignment Agreement, the Company deferred recognition of the Assignment Agreement and Note until collectability is reasonably assured.

In connection with the terms of the Note, the Company granted TI the sole distribution rights for its products and services in the Russian oil and gas sector. As a result of this appointment, TI agreed to pay the Company $3.8 million over a three-year period in 35 equal monthly installments starting in August 2018.

On June 5, 2018, the Company entered into an amendment to the Assignment Agreement (the “Amended Assignment Agreement”) and the Note (the “Amended Note”) with TI. Pursuant to the terms of the Amended Assignment Agreement, the right, title and interest to receivables owed to the Company from BPC will be contingent upon TI’s payment to the Company of the remaining approximately $1.5 million in five payments by September 20, 2019. During the first quarter of Fiscal 2019 no payment was due under these agreements. Under the terms of the Amended Note, TI agreed

to pay the Company $3.8 million over a three-year period in 13 equal quarterly installments starting in December 20, 2019.

The Company recorded bad debt recoveries of approximately $2,800 and $13,000 during the three months ended June 30, 2018 and 2017, respectively. As of March 31, 2015, the Company had an amount owed of approximately $8.1 million by BPC. As of June 30, 2018, the Company collected cumulatively approximately $1.8 million from BPC on their accounts receivable which has been previously reserved. Additionally, the Company collected approximately $1.0 million from TI, under the terms of the Assignment Agreement. The remaining balance of the fully reserved accounts receivable is $5.3 million as of June 30, 2018.

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5. Inventories

Inventories are valued at the lower of cost (determined on a first in first out ("FIFO") basis) or net realizable value and consisted of the following as of June 30, 2018 and March 31, 2018 (in thousands):

	June 30, 2018	March 31, 2018
Raw materials	$ 19,567	$ 17,981
Work in process	46	111
Finished goods	3,080	4,076
Total	22,693	22,168
Less inventory reserve	(5,535)	(5,494)
Less non-current portion	(1,103)	(1,041)
Current portion	$ 16,055	$ 15,633

The non-current portion of inventories represents the portion of the inventories in excess of amounts expected to be sold or used in the next twelve months. The non-current inventories are primarily comprised of repair parts for older generation products that are still in operation but are not technologically compatible with current configurations. The weighted average age of the non-current portion of inventories on hand as of June 30, 2018 is 1.4 years. The Company expects to use the non-current portion of the inventories on hand as of June 30, 2018 over the periods presented in the following table (in thousands):

Expected Period of Use	Non-current Inventory Balance Expected to be Used
13 to 24 months	$ 449
25 to 36 months	654
Total	$ 1,103

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of June 30, 2018 and March 31, 2018 (in thousands):

	June 30,	March 31,

	2018	2018
Machinery, rental equipment, equipment, automobiles and furniture	$ 15,115	$ 15,481
Leasehold improvements	11,017	10,949
Molds and tooling	2,834	2,904
	28,966	29,334
Less, accumulated depreciation	(26,178)	(26,475)
Total property, plant and equipment, net	$ 2,788	$ 2,859

The Company regularly reassesses the useful lives of property and equipment and retires assets no longer in service. Depreciation expense for property and equipment was $0.2 million for each of the first quarters of Fiscal 2019 and 2018.

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7. Intangible Assets

Intangible assets consisted of the following as of June 30, 2018 and March 31, 2018 (in thousands):

	June 30, 2018 Weighted Average Amortization Period	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Manufacturing license	17 years	$ 3,700	$ 3,700	$ —
Technology	10 years	2,240	1,885	355
Trade name & parts, service and TA100 customer relationships	1.2 to 5 years	1,766	1,766	—
Total		$ 7,706	$ 7,351	$ 355

	March 31, 2018 Weighted Average Amortization Period	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Manufacturing license	17 years	$ 3,700	$ 3,700	$ —
Technology	10 years	2,240	1,829	411
Trade name & parts, service and TA100 customer relationships	1.2 to 5 years	1,766	1,766	—
Total		$ 7,706	$ 7,295	$ 411

Amortization expense for the intangible assets was $0.1 million during the first quarter of each of Fiscal 2019 and 2018, respectively.

Expected future amortization expense of intangible assets as of June 30, 2018 is as follows (in thousands):

Year Ending March 31,	Amortization Expense
2019 (remainder of fiscal year)	168

2020		187
Total expected future amortization	$	355

The manufacturing license provides the Company with the ability to manufacture recuperator cores previously purchased from Solar Turbines Incorporated ("Solar"). The Company is required to pay a per-unit royalty fee over a seventeen-year period for cores manufactured and sold by the Company using the technology. Royalties of approximately $7,100 and $6,500 were earned by Solar for the first quarter of Fiscal 2019 and 2018, respectively. Earned royalties of approximately $7,100 and $8,000 were unpaid as of June 30, 2018 and March 31, 2018, respectively, and are included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

8. Stock-Based Compensation

The following table summarizes, by condensed consolidated statement of operations line item, stock-based compensation expense for the Company's first quarter of Fiscal 2019 and 2018 (in thousands):

	Three Months Ended June 30,	
	2018	2017
Cost of goods sold	$ 12	$ 20
Research and development	7	7
Selling, general and administrative	208	127
Stock-based compensation expense	$ 227	$ 154

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Stock Plans

2000 Equity Incentive Plan and 2017 Equity Incentive Plan

In June 2000, the Company adopted the 2000 Equity Incentive Plan (“2000 Plan”). The 2000 Plan provides for a total maximum aggregate number of shares which may be issued of 1,849,000 shares. In June 2017, the Company’s Board of Directors (the “Board”) adopted the Capstone Turbine Corporation 2017 Equity Incentive Plan (the “2017 Plan”) which was approved by the stockholders at the Company’s 2017 annual meeting of stockholders on August 31, 2017 (the “2017 Annual Meeting”). The 2017 Plan provides for awards of up to 3,000,000 shares of common stock. The 2017 Plan is administered by the Compensation Committee designated by the Board (the “Compensation Committee”). The Compensation Committee’s authority includes determining the number of incentive awards and vesting provisions. On June 5, 2018, the Company’s Board of Directors approved an amendment of the 2017 Plan, subject to stockholder approval, to increase the aggregate number of shares of common stock authorized for issuance under the 2017 Plan by 3,000,000 shares of common stock. The amendment of the 2017 Plan has been submitted for approval by the Company’s stockholders at the 2018 annual meeting of stockholders.

Stock Options

The Company issued stock options under the 2000 Plan and issues stock options under the 2017 Plan to employees, non-employee directors and consultants that vest and become exercisable over a four-year period and expire 10 years after the grant date. The Company uses a Black-Scholes valuation model to estimate the fair value of the options at the grant date, and compensation cost is recorded on a straight-line basis over the vesting period. All options are subject to the following vesting provisions: one-fourth vest one year after the issuance date and 1/48th vest on the first day of each full month thereafter, so that all options will be vested on the first day of the 48th month after the grant date. Information relating to stock options for the Company’s first quarter of Fiscal 2019 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at March 31, 2018	212,392	$ 20.71		
Granted	—	$ —		
Exercised	—	$ —		
Forfeited, cancelled or expired	—	$ —		
Options outstanding at June 30, 2018	212,392	$ 20.71	2.6	—

Options fully vested at June 30, 2018 and those expected to vest beyond June 30, 2018	212,392	$ 20.71	2.6	—
Options exercisable at June 30, 2018	212,392	$ 20.71	2.6	—

Black-Scholes Model Valuation Assumptions

There were no stock options granted during either of the first quarters of Fiscal 2019 or 2018. There was no expense associated with stock options during the first quarter of Fiscal 2019. The Company recorded expense of approximately $8,000 associated with its stock options during the first quarter of Fiscal 2018. There were no unvested stock option awards as of June 30, 2018.

Restricted Stock Units and Performance Restricted Stock Units

The Company issued restricted stock units under the 2000 Plan and issues restricted stock units under the 2017 Plan to employees, non-employee directors and consultants. The restricted stock units are valued based on the closing price of the Company’s common stock on the date of issuance, and compensation cost is recorded on a straight-line basis over the vesting period. The restricted stock units vest over a period of two, three or four years. For restricted stock units with two year vesting, 100% vests on the second year anniversary. For restricted stock units with three year vesting, one-third vest annually beginning one year after the issuance date. For restricted stock units with four year vesting, one-fourth vest annually beginning one year after the issuance date. The restricted stock units issued to non-employee

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directors vest one year after the issuance date. The following table outlines the restricted stock unit and performance restricted stock unit ("PRSU") activity:

Restricted Stock Units and Performance Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Nonvested restricted stock units outstanding at March 31, 2018	2,011,611	$ 0.90
Granted	309,202	1.59
Vested and issued	(4,688)	21.46
Forfeited	(10,162)	1.02
Nonvested restricted stock units outstanding at June 30, 2018	2,305,963	0.95
Restricted stock units expected to vest beyond June 30, 2018	2,305,940	$ 0.95

The following table provides additional information on restricted stock units for the Company's first quarter of Fiscal 2019 and 2018:

	Three Months Ended June 30,	
	2018	2017
Restricted stock compensation expense (in thousands)	$ 227	$ 139
Aggregate fair value of restricted stock units vested and issued (in thousands)	$ 7	$ 7
Weighted average grant date fair value of restricted stock units granted during the period	$ 1.59	$ 0.67

As of June 30, 2018, there was approximately $1.2 million of total compensation cost related to unvested restricted stock units that is expected to be recognized as expense over a weighted average period of 2.0 years.

The Company adopted PRSU activity is included in the above restricted stock units tables. The PRSU Program has a two-year or three-year performance measurement period. The performance measurement period will begin on April 1 of the first fiscal year and end on March 31 of the second fiscal year or the third fiscal year. The program is intended to have overlapping performance measurement periods (e.g., a new three-year cycle begins each year on April 1), subject to Compensation Committee approval. At the end of each performance measurement period, the Compensation Committee will determine the achievement against the performance objectives.

During the first quarter of Fiscal 2019, the Company granted 147,327 PRSUs with three-year performance measurement period and the criteria measured by the Company's free cash flow and aftermarket sales absorption. The target PRSU awards for each participant, will be paid upon achievement of the target level of performance for free cash flow and aftermarket sale absorption, taking into account the applicable weighting for the individual metric. Achievement of a performance goal at the threshold level will result in a payment that is 50% of the target PRSU award. Achievement of a performance goal at the maximum level will result in a payment that is 150% of the target

PRSU award. The Compensation Committee will use an interpolation table that weights performance between levels for determining the portion of the Target PRSU that is earned. In addition, during the first quarter of Fiscal 2019, the Company granted 150,000 PRSUs to its President and Chief Executive officer with two-year performance measurement period and the criteria measured by the Company's institutional ownership levels, Distributor Support System ("DSS program") cash collections and Factory Protection Plan ("FPP") gross margins. This equity award is 100% vesting in two years and based on predetermined equally weighted criteria. See Note 13—Revenue Recognition for additional discussion on DSS program.

The weighted average per share grant date fair value of PRSUs granted during the first quarter of Fiscal 2019 was $1.59. However, based on the Company's assessment as of June 30, 2018 that the PRSU threshold for the first performance measurement likely would not be met, the fair value of the PRSU awards were adjusted to zero and no compensation expense was recorded or recognized during the first quarter of Fiscal 2019. Any compensation expense will be recognized over the corresponding requisite service period and will be adjusted in subsequent reporting periods if the Company's assessment of the probable level of achievement of the performance goals change. The Company will continue to periodically assess the likelihood of the PRSU threshold being met until the end of the applicable performance period.

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Restricted Stock Awards

The Company issued restricted stock awards under the 2000 Plan and issues restricted stock awards under the 2017 Plan to employees and non-employee directors. There were no restricted stock awards granted during the first quarter of Fiscal 2019. During the first quarter of Fiscal 2018 the Company granted stock awards to non-employee directors who elected to take payment of all or any part of the directors' fees in stock in lieu of cash. The following table outlines the restricted stock award activity for the first quarter of Fiscal 2018:

	Three Months Ended June 30, 2017
Restricted stock awards compensation expense (in thousands)	$ 7
Restricted stock awards granted	2,016
Weighted average grant date fair value of restricted stock awards granted during the period	$ 0.62

For each term of the Board (beginning on the date of an annual meeting of stockholders and ending on the date immediately preceding the next annual meeting of stockholders), a non-employee director may elect to receive a stock award in lieu of all or any portion of their annual retainer or committee fee cash payment. The shares of stock were valued based on the closing price of the Company's common stock on the date of grant.

Employee Stock Purchase Plan

In June 2000, the Company adopted the Employee Stock Purchase Plan (the "ESPP"). The ESPP provides for the granting of rights to purchase common stock to regular full and part-time employees or officers of the Company and its subsidiaries. In June 2017, the Board unanimously approved an amendment and restatement to the ESPP which was approved by the stockholders at the Company's annual meeting of stockholders on August 31, 2017. Prior to the current amendment, 70,000 shares of the Company's common stock had been reserved for issuance. As amended, the ESPP continued by its terms and the number of shares of the Company's common stock available increased by 500,000 shares which reserved for issuance a total of 570,000 shares of common stock. Under the ESPP, shares of the Company's common stock are issued upon exercise of the purchase rights. The ESPP will continue by its terms through June 30, 2020, unless terminated sooner.

Stockholder Rights Plan

On May 6, 2016, the Company entered into a rights agreement (the "NOL Rights Agreement") with Broadridge Financial Solutions, Inc. successor-in-interest to Computershare Inc., as rights agent. In connection with the NOL Rights Agreement, the Company's Board authorized and declared a dividend distribution of one preferred stock purchase right (a "Right") for each share of the Company's common stock authorized and outstanding. Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share of Series B Junior Participating Preferred Stock, par value $0.001 per share, at a purchase price of $8.76 per unit, subject to adjustment. The description and terms of the Rights are set forth in the NOL Rights Agreement.

The purpose of the NOL Rights Agreement is to diminish the risk that the Company's ability to use its net operating losses and certain other tax assets (collectively, "Tax Benefits") to reduce potential future federal income tax obligations would become subject to limitations by reason of the Company's experiencing an "ownership change," as defined in Section 382 of the Internal Revenue Code of 1986. A company generally experiences such an ownership change if the percentage of its stock owned by its "5-percent shareholders," as defined in Section 382 of the Internal Revenue Code of 1986, increases by more than 50 percentage points over a rolling three-year period. The NOL Rights Agreement is designed to reduce the likelihood that the Company will experience an ownership change under Section 382 of the Internal Revenue Code of 1986 by (i) discouraging any person or group from becoming a 4.99% shareholder and (ii) discouraging any existing 4.99% shareholder from acquiring additional shares of the Company's stock.

The Rights will not be exercisable until the earlier to occur of (i) the close of business on the tenth business day after a public announcement or filing that a person has, or group of affiliated or associated persons or persons acting in

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concert have, become an "Acquiring Person," which is defined as a person or group of affiliated or associated persons or persons acting in concert who, at any time after the date of the NOL Rights Agreement, have acquired, or obtained the right to acquire, beneficial ownership of 4.99% or more of the Company's outstanding shares of common stock, subject to certain exceptions or (ii) the close of business on the tenth business day after the commencement of, or announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in any person becoming an Acquiring Person (the earlier of such dates being called the "Distribution Date"). Certain synthetic interests in securities created by derivative positions, whether or not such interests are considered to be ownership of the underlying common stock or are reportable for purposes of Regulation 13D of the Exchange Act, are treated as beneficial ownership of the number of shares of common stock equivalent to the economic exposure created by the derivative position, to the extent actual shares of the common stock are directly or indirectly held by counterparties to the derivatives contracts.

The Rights, which are not exercisable until the Distribution Date, will expire prior to the earliest of (i) May 6, 2019 or such later day as may be established by the Board prior to the expiration of the Rights, provided that the extension is submitted to the Company's stockholders for ratification at the next annual meeting of stockholders of the Company succeeding such extension; (ii) the time at which the Rights are redeemed pursuant to the NOL Rights Agreement; (iii) the time at which the Rights are exchanged pursuant to the NOL Rights Agreement; (iv) the time at which the Rights are terminated upon the occurrence of certain transactions; (v) the close of business on the first day after the 2017 Annual Meeting of stockholders, if approval by the stockholders of the Company of the NOL Rights Agreement has not been obtained on or prior to the close of business on the first day after the 2017 Annual Meeting of stockholders; (vi) the close of business on the effective date of the repeal of Section 382 of the Internal Revenue Code of 1986, if the Board of Directors determines that the NOL Rights Agreement is no longer necessary or desirable for the preservation of Tax Benefits; and (vii) the close of business on the first day of a taxable year of the Company to which the Board determines that no Tax Benefits are available to be carried forward.

Each share of Series B Junior Participating Preferred Stock will be entitled, when, as and if declared, to a preferential per share quarterly dividend payment equal to the greater of (i) $1.00 per share or (ii) an amount equal to 1,000 times the dividend declared per share of common stock. Each share of Series B Junior Participating Preferred Stock will entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. In the event of any merger, consolidation or other transaction in which shares of common stock are converted or exchanged, each share of Series B Junior Participating Preferred Stock will be entitled to receive 1,000 times the amount received per one share of common stock.

At the 2017 Annual Meeting, the stockholders approved the NOL Rights Agreement.

9. Offerings of Common Stock and Warrants and At-the-Market Offering Program

On June 7, 2018, the Company entered into a sales agreement with H.C. Wainwright & Co., LLC with respect to an at-the-market offering program pursuant to which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock, having an aggregate offering price of up to $25.0 million. The Company will set the parameters for sales of the shares, including the number to be sold, the time period during which sales are requested to be made, any limitation on the number that may be sold in one trading day and any minimum price below which sales may not be made. During the three months ended June 30, 2018, the Company issued 0.7 million shares of the Company's common stock under this at-the-market offering program and the net proceeds to the Company from the sale of the Company's common stock were approximately $1.0 million after deducting commissions paid of approximately $32,600. As of June 30, 2018, approximately $24.0 million remained available for issuance with respect to this at-the-market offering program.

On April 13, 2018, a warrant holder exercised its rights to the warrant agreement to exercise on a cashless basis 5,760,000 Series A warrants at an exercise price of $0.60 per share under the warrant agreement. In accordance with terms of the warrant agreement, after taking into account the shares withheld to satisfy the cashless exercise option, the Company issued 3,806,243 shares of common stock.

As of June 30, 2018, there were 2,718,750 Series A warrants outstanding and there are no Series B warrants outstanding.

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Effective August 28, 2015, the Company entered into a sales agreement with Cowen and Company, LLC with respect to an at-the-market offering program pursuant to which the Company offered and sold, from time to time at its sole discretion, shares of its common stock, having an aggregate offering price of up to $30.0 million. During the three months ended June 30, 2018, the Company issued 2.8 million shares of the Company's common stock under this at-the-market offering program and the net proceeds to the Company from the sale of the Company's common stock were approximately $4.0 million after deducting commissions paid of approximately $0.1 million. As of June 30, 2018, 26.0 million shares of the Company's common stock were cumulatively sold pursuant to the at-the-market offering program and the net proceeds to the Company from the sale of the common stock were approximately $28.6 million after deducting commissions paid of approximately $0.8 million. This at-the-market offering program expired on May 29, 2018.

10. Fair Value Measurements

The FASB has established a framework for measuring fair value using generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets

- Quoted prices for identical or similar assets or liabilities in inactive markets

- Inputs other than quoted prices that are observable for the asset or liability

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

The table below presents our assets and liabilities that are measured at fair value on a recurring basis at June 30, 2018 and are categorized using the fair value hierarchy (in thousands):

	Fair Value Measurements at June 30, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted cash	$ 6,000	$ 6,000	$ —	$ —

The table below presents our assets and liabilities that are measured at fair value on a recurring basis at March 31, 2018 and are categorized using the fair value hierarchy (in thousands):

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	Fair Value Measurements at March 31, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted cash	$ 5,000	$ 5,000	$ —	$ —

Basis for Valuation

The carrying values reported in the consolidated balance sheets for cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair values because of the immediate or short-term maturities of these financial instruments. As the Company's obligations under the Credit Facility are based on adjustable market rates reflective of what would currently be available to the Company, the Company has determined that the carrying value approximates the fair value. The carrying values and estimated fair values of these obligations are as follows (in thousands):

	As of June 30, 2018		As of March 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Obligations under the credit facility	$ 10,024	$ 10,024	$ 8,527	$ 8,527

11. Revolving Credit Facility

Former Credit Facility The Company maintained two Credit and Security Agreements, as amended, with Wells Fargo, which provided the Company with a line of credit of up to $20.0 million in the aggregate. Interest expense related the former credit facility with Wells Fargo during the first quarter of Fiscal 2018 was $0.2 million, which includes $0.1 million in amortization of deferred financing costs.

New Credit Facility The Company maintains Bridge Bank Credit Agreements with Western Alliance Bank through Bridge Bank, with credit support provided by the Export-Import Bank of the United States through its working capital guarantee program. Under the terms of the Bridge Bank Credit Agreements, the Company may borrow up to $15.0 million on a revolving basis depending on, among other factors, the amount of its eligible inventory and accounts

receivable. The Bridge Bank Credit Agreements will terminate in accordance with their terms on June 2, 2021.

On June 1, 2018, the Company entered into a letter agreement (the “Letter Agreement”) with Bridge Bank. The Letter Agreement extended the maturity date under the Company’s Bridge Bank Credit Agreements from June 2, 2019 to June 2, 2021. The Letter Agreement increased the line of credit to an amount up to $15.0 million from $12.0 million. Additionally, the Letter Agreement reduced the per annum interest rate from prime rate plus 1.50 percent to prime rate plus 1.00 percent; the facility fee from 0.625% to 0.5%, and the cash collateral held at Bridge Bank from 42% to 40%, which is $6.0 million of the $15.0 million facility, as well as no fee for early termination.

Total borrowings, letter of credit obligations and the then aggregate committed amount of cash management services under the Bridge Bank Credit Agreements may not exceed 85% of the sum of unrestricted cash and the amount of cash collateral held at Bridge Bank. As a condition of the Bridge Bank Credit Agreements, the Company has restricted $6.0 million of cash equivalents as additional security for the credit facility. Borrowings under the Bridge Bank Credit Agreements will bear per annum interest at the prime rate plus 1.0 percent, subject to increase during the occurrence of an event of default. Obligations under the Bridge Bank Credit Agreements are secured by all of the Company’s assets, including intellectual property and general intangibles. The Company has incurred $0.4 million in origination fees. These fees have been recorded under the caption “Prepaid expenses and other current assets” in the accompanying condensed consolidated balance sheets and will be amortized to interest expense through June 2021. As of June 30, 2018, $10.0 million in borrowings were outstanding and approximately $5.0 million borrowings available under the credit facility. Interest expense related to the credit facility during the first quarter of Fiscal 2019 was $0.1 million, which includes $38,500 in amortization of deferred financing costs. Interest expense related to the credit facility during the first quarter of Fiscal 2018 was $58,800, which includes $18,000 in amortization of deferred financing costs. The Company’s borrowing rate was 6.0% at June 30, 2018.

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The Bridge Bank Credit Agreements include affirmative covenants as well as negative covenants that prohibit a variety of actions without Bridge Bank's consent, including covenants that limit the Company's ability to (a) incur or guarantee debt, (b) create liens, (c) enter into any merger, recapitalization or similar transaction or purchase all or substantially all of the assets or stock of another entity or (d) sell, assign, transfer or otherwise dispose of the Company's assets.

The financial covenants of the domestic credit agreement with Bridge Bank (the "Domestic Facility"), which is included in the Bridge Bank Credit Agreements, requires the Company not to exceed specified levels of losses relative to its financial model and the outstanding line of credit advances may not exceed 85% of the sum of unrestricted cash and the amount of cash collateral held at Bridge Bank. The Domestic Facility also defines an event of default to include a material adverse effect on the Company's business. An event of default for this or any other reason, if not waived, could have a material adverse effect on the Company. As of June 30, 2018 we were in compliance with the covenants contained in the Bridge Bank Credit Agreements for Fiscal 2019.

12. Accrued Warranty Reserve

The Company provides for the estimated costs of warranties at the time revenue is recognized. The specific terms and conditions of those warranties vary depending upon the microturbine product sold and the geography of sale. The Company's product warranties generally start from the delivery date and continue for up to twenty-four months. Factors that affect the Company's warranty obligation include product failure rates, anticipated hours of product operations and costs of repair or replacement in correcting product failures. These factors are estimates that may change based on new information that becomes available each period. Similarly, the Company also accrues the estimated costs to address reliability repairs on products no longer in warranty when, in the Company's judgment, and in accordance with a specific plan developed by the Company, it is prudent to provide such repairs. The Company assesses the adequacy of recorded warranty liabilities quarterly and makes adjustments to the liability as necessary. When the Company has sufficient evidence that product changes are altering the historical failure occurrence rates, the impact of such changes is then taken into account in estimating future warranty liabilities. Changes in accrued warranty reserve during the first quarter of Fiscal 2019 are as follows (in thousands):

Balance, beginning of the period	$ 1,682
Standard warranty provision	397
Accrual related to reliability repair programs	—
Deductions for warranty claims	(218)
Balance, end of the period	$ 1,861

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13. Revenue Recognition

On April 1, 2018, the Company adopted the new revenue standard ASU 2014-09 and applied it to all contracts using the modified retrospective method. The Company determined there was no change in applying the new revenue standard, therefore no adjustment to the opening balance of accumulated deficit was needed.

The Company derives its revenues primarily from system sales, service contracts and professional services. Revenues are recognized when control of the systems and services is transferred to the Company's customers in an amount that reflects the consideration it expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which generally occurs, for systems, upon the transfer of control in accordance with the contractual terms and conditions of the sale. The majority of the Company's revenue associated with systems is recognized at a point in time when the system is shipped to the customer. Revenue from service contracts and post-shipment performance obligations is recognized when or as those obligations are satisfied. The Company primarily offers assurance-type standard warranties that do not represent separate performance obligations and will separately offer and price extended warranties that are separate performance obligations for which the associated revenue is recognized over-time based on the extended warranty period. The Company records amounts billed to customers for reimbursement of shipping and handling costs within revenue. Shipping and handling costs associated with outbound freight after control over a system has transferred to a customer are accounted for as fulfillment costs and are included in cost of goods sold. Sales taxes and other usage-based taxes are excluded from revenue.

Comprehensive Factory Protection Plan ("FPP") service contracts require payment at the beginning of the contract period. Advance payments are not considered a significant financing component as they are typically received less than one year before the related performance obligations are satisfied. These payments are treated as a contract liability and are classified in deferred revenue in the Condensed Consolidated Balance Sheet. Once control transfers to the customer and the Company meets the revenue recognition criteria, the deferred revenue is recognized in the Condensed Consolidated Statement of Income. The deferred revenue relating to the annual maintenance service contracts is recognized in the Condensed Consolidated Statement of Income on a straight line basis over the expected term of the contract.

Significant Judgments - Contracts with Multiple Performance Obligations

The Company enters into contracts with its customers that often include promises to transfer multiple products, parts, accessories, FPP and services. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

Products, parts and accessories are distinct as such services are often sold separately. In determining whether FPP and service contracts are distinct, the Company considers the following factors for each FPP and services agreement: availability of the services from other vendors, the nature of the services, the timing of when the services contract was signed in comparison to the product delivery date and the contractual dependence of the product on the

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customer’s satisfaction with the professional services work. To date, the Company has concluded that all of the FPP and services contracts included in contracts with multiple performance obligations are distinct.

The Company allocates the transaction price to each performance obligation on a relative standalone selling price (“SSP”) basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation.

The Company determines SSP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include the Company’s discounting practices, the size and volume of the Company’s transactions, the customer demographic, the geographic area where systems and services are sold, price lists, its go-to-market strategy, historical sales and contract prices. The determination of SSP is made through consultation with and approval by the Company’s management, taking into consideration the go-to-market strategy. As the Company’s go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to SSP.

In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when it has observable prices.

If SSP is not directly observable, for example when pricing is highly variable, the Company uses a range of SSP. The Company determines the SSP range using information that may include market conditions or other observable inputs. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.

The following table presents disaggregated revenue by business group for the first quarter of Fiscal 2019 (in thousands):

	Three Months Ended June 30, 2018
Microturbine Products	$ 13,633
Accessories and Parts	3,452
Total Product, Accessories and Parts	17,085
Service	4,104
Total Revenue	$ 21,189