TEMPUR PEDIC INTERNATIONAL INC
Form 8-K
March 10, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT

TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) March 10, 2005

TEMPUR-PEDIC INTERNATIONAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-31922**	**33-1022198**
(State or other jurisdiction of incorporation)	**(Commission File No.)**	**(I.R.S. Employer Identification No.)**

1713 Jaggie Fox Way

Lexington, Kentucky 40511

(Address of principal executive offices) (Zip Code)

(800) 878-8889

(Registrant s telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On March 10, 2005, the Compensation Committee (the Compensation Committee) of the Board of Directors of Tempur-Pedic International Inc. (the Company) approved an annual cash bonus award earned during 2004 and paid in 2005 for Mr. Robert B. Trussell, Jr., Chief Executive Officer, in the amount of $240,000. This bonus award was based upon the achievement of performance goals which were reviewed and approved by the Compensation Committee and a discretionary component related to the Company s strong financial performance in 2004.

In addition, on March 10, 2005, the Board of Directors of the Company approved annual cash bonus awards for the other named executive officers (as defined in Regulation S-K Item 402(a)(3)) under the Company s incentive bonus plan. These bonus awards were based upon the achievement of performance goals which were reviewed and approved by the Compensation Committee and a discretionary component related to the Company s strong financial performance in 2004. The amounts of these bonus awards are as follows:

Officer	2004 Bonus
Mr. Dale E. Williams, Senior Vice President, Chief Financial Officer, Secretary and Treasurer	$ 144,000
Mr. H. Thomas Bryant, President	$ 180,000
Mr. David Montgomery, Executive Vice President and President of International Operations	£ 123,000*
Mr. David C. Fogg, Senior Vice President and President of Tempur-Pedic, Inc. Retail Division	$ 171,600

* Mr. Montgomery s bonus is calculated in Pounds.

Item 7.01. Regulation FD Disclosure

On March 9, 2005, Tempur-Pedic International Inc. issued a press release stating that it would be increasing its guidance for the year ended December 31, 2005. A copy of this press release is furnished as Exhibit 99.1 to this report.

The information furnished under this item (including Exhibit 99.1) shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit	Description
99.1	Press Release dated March 9, 2005, titled Tempur-Pedic International Increases 2005 Guidance.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 10, 2005

Tempur-Pedic International Inc.

By: /s/ DALE E. WILLIAMS

Name: Dale E. Williams
Title: Senior Vice President,

Chief Financial Officer,

Secretary and Treasurer

EXHIBIT INDEX

Exhibit	Description
99.1	Press Release dated March 9, 2005, titled Tempur-Pedic International Increases 2005 Guidance.

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If factors change and we employ different assumptions for the accounting methodology during future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period. Therefore, we believe it is important for investors to be aware of the high degree of subjectivity involved when using option-pricing models to estimate share-based compensation. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions, are fully transferable and do not cause dilution. Because our share-based payments have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect our estimates of fair values, in our opinion, existing valuation models, including the Black-Scholes Option Pricing model, may not provide reliable measures of the fair values of our share-based compensation. Consequently, there is a risk that our estimates of the fair values of our share-based compensation awards on the grant dates may bear little resemblance to the intrinsic values realized upon the exercise, expiration, cancellation, or forfeiture of those share-based payments in the future. Certain share-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and expensed in our financial statements. Alternatively, value may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and expensed in our financial statements. There currently is neither a market-based mechanism nor other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor a way to compare and adjust the estimates to actual values. Although the fair value of employee share-based awards is determined using a qualified option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction. Estimates of share-based compensation expenses are significant to our financial statements, but these expenses are based on the aforementioned option valuation model and will never result in our payment of cash.

Theoretical valuation models and market-based methods are evolving and may result in lower or higher fair value estimates for share-based compensation. The timing, readiness, adoption, general acceptance, reliability, and testing of these methods is uncertain. Sophisticated mathematical models may require voluminous historical information, modeling expertise, financial analyses, correlation analyses, integrated software and databases, consulting fees, customization, and testing for adequacy of internal controls.

For purposes of estimating the fair value of stock options granted during the twelve months ended December 31, 2013 using the Black-Scholes model, we used the historical volatility of our stock for the expected volatility assumption input to the Black-Scholes model, consistent with the accounting guidance. The risk-free interest rate is based on the risk-free zero-coupon rate for a period consistent with the expected option term at the time of grant. We do not currently pay nor do we anticipate paying dividends, but we are required to assume a dividend yield as an input to the Black-Scholes model. As such, we use a zero dividend rate. The expected option term is calculated as an average time to forfeiture for all grants.

Income Taxes. As part of the process of preparing our consolidated financial statements, we calculate income taxes for each of the jurisdictions in which we operate. This involves estimating actual current taxes due together with assessing temporary differences resulting from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. We periodically evaluate deferred tax assets, net operating loss carryforwards and tax credit carryforwards to determine their recoverability based primarily on our ability to generate future taxable income.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We considered all available evidence, both positive and negative, such as historical levels of income and future forecasts of taxable income amongst other items in determining our valuation allowance. In addition, our assessment requires us to schedule future taxable income in accordance with accounting standards that address income taxes to assess the appropriateness of a valuation allowance, which further requires the exercise of significant management judgment.

We account for taxes in accordance with the asset and liability method of accounting for income taxes. Under this method, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The impact of our reassessment of our tax positions for these standards did not have a material impact on our results of operations, financial condition, or liquidity.

Recent Accounting Pronouncements

There are no recently adopted or new accounting pronouncements that have had, or that we expect to have, a material impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8: Financial Statements and Supplementary Data

The Company s Consolidated Financial Statements begin on page F-1 and are incorporated in this Item 8 by reference.

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

Not applicable.

Item 9A: Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of MTI s disclosure controls and procedures as of December 31, 2013. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and we necessarily apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the valuation of our disclosure controls and procedures as of December 31, 2013, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Management s Report on Internal Control Over Financial Reporting

Management of our Company is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including the principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth in *Internal Control Integrated Framework* (1992 version) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation using the criteria set forth in *Internal Control Integrated Framework,* Management has concluded that our internal control over financial reporting was effective as of December 31, 2013.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Our report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only Management s Report in this annual report.

/s/ Kevin G. Lynch	/s/ Frederick W. Jones
Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)

(c) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our fiscal quarter ended December 31, 2013 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Item 9B: Other Information

No information was required to be disclosed in a current Report on Form 8-K during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K that has not been reported.

PART III

Item 10: Directors, Executive Officers and Corporate Governance

Code of Ethics: We have adopted a Code of Ethics for employees, officers and directors. A copy of the Code of Ethics is available on our website at http://www.mechtech.com under Investor Relations, Corporate Governance.

The remaining information required by this Item 10 is incorporated herein by reference to the information appearing under the captions Information about our Directors, Executive Officers, Board of Director Meetings and Committees Audit Committee and Section 16(a) Beneficial Ownership Reporting Compliance in our definitive Proxy Statement for our 2014 Annual Meeting of Stockholders to be filed with the SEC on or before April 25, 2014.

Item 11: Executive Compensation

The information required by this Item 11 is incorporated herein by reference to the information appearing under the caption Executive Compensation in the Company s definitive Proxy Statement for our 2014 Annual Meeting of Stockholders to be filed with the SEC on or before April 25, 2014.

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

Equity Compensation Plans

As of December 31, 2013, we have four equity compensation plans, each of which was originally approved by our stockholders; the Mechanical Technology, Incorporated 1996 Stock Incentive Plan (the 1996 Plan), 1999 Employee Stock Incentive Plan (the 1999 Plan), 2006 Equity Incentive Plan (the 2006 Plan) and the Mechanical Technology Incorporated 2012 Equity Incentive Plan (the 2012 Plan). The 2006 Plan was amended and restated and approved by our Board of Directors in 2011 and 2009. We refer collectively to these as the Plans. See Note 12 of our Consolidated

Financial Statements in this Annual Report on Form 10-K for a description of these Plans.

The following table presents information regarding these plans as of December 31, 2013:

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants, Rights[1] (a)	Weighted Average Exercise Price of Outstanding Options, Warrants, Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) [2] (c)
Equity compensation plans approved by security holders	464,600	$ 0.89	141,374
Equity compensation plans not approved by security holders[3]	120,782	1.35	-0-

(1) Under the 1996, 1999, 2006 and 2012 Plans, the securities available under the Plans for issuance and issuable pursuant to exercises of outstanding options may be adjusted in the event of a change in outstanding stock by reason of stock dividend, stock splits, reverse stock splits, etc.

(2) The 2012 Plan is the only plan under which future awards can currently be made.

(3) Includes options outstanding under the 2006 Plan, which was amended by our Board of Directors without stockholder approval in 2009 and 2011 to increase the number of shares available for issuance thereunder. Under the 2006 Plan, the Board of Directors is authorized to issue stock options, stock appreciation rights, restricted stock, and other stock-based incentives to officers, employees and others. See Note 12 of our Consolidated Financial Statements in this Annual Report on Form 10-K for a further description of this Plan.

The remaining information required by this Item 12 is incorporated herein by reference to information appearing under the caption Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in our definitive Proxy Statement for our 2014 Annual Meeting of Stockholders to be filed with the SEC on or before April 25, 2014.

Item 13: Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 is incorporated herein by reference to the information appearing under the captions Certain Relationships and Related Transactions and Information about our Directors in our definitive Proxy Statement for the 2014 Annual Meeting of Stockholders to be filed with the SEC on or before April 25, 2014.

Item 14: Principal Accounting Fees and Services

The information required by this Item 14 is incorporated herein by reference to the information appearing under the caption Independent Registered Public Accounting Firms in our definitive Proxy Statement for the 2014 Annual Meeting of Stockholders to be filed with the SEC on or before April 25, 2014.

PART IV

Item 15: Exhibits, Financial Statement Schedules

15(a) (1)Financial Statements: The financial statements filed herewith are set forth on the Index to Consolidated Financial Statements on page F-1 of the separate financial section which accompanies this Report, which is incorporated herein by reference.

15(a) (2) Financial Statement Schedules: Financial statement schedules not listed have been omitted because they are either not required, not applicable, or the information has been included elsewhere in the consolidated financial statements or notes thereto.

15(a) (3) Exhibits: The exhibits listed in the Exhibit Index below are filed as part of this Annual Report on Form 10-K.

Exhibit Number	Description
3.1	Certificate of Incorporation of the registrant, as amended and restated (Incorporated by reference from Exhibit 3.1 of the Company s Form 10-K Report for the year ended December 31, 2007).
3.2	Certificate of Amendment of the Certificate of Incorporation of the registrant (Incorporated by reference from Exhibit 3.2 of the Company s Form 8-K Report filed May 15, 2008).
3.3	Amended and Restated By-Laws of the registrant (Incorporated by reference from Exhibit 3.3 of the Company s Form 8-K Report filed December 14, 2007).
10.1	Mechanical Technology, Incorporated 1996 Stock Incentive Plan (Incorporated by reference from Appendix A of the Company s Definitive Proxy Statement Schedule 14A filed November 19, 1996).*
10.2	Mechanical Technology, Incorporated 1999 Employee Stock Incentive Plan (Incorporated by reference from Exhibit A of the Company s Proxy Statement Schedule 14A filed February 13, 1999).*

10.3	Form of Restricted Stock Agreement for the 1996 and 1999 Mechanical Technology, Inc. Stock Incentive Plans (Incorporated by reference from Exhibit 10.140 of the Company s Form 8-K Report filed May 18, 2006).*
10.4	Mechanical Technology, Incorporated Amended and Restated 2006 Equity Incentive Plan (Incorporated by reference from Exhibit 10.1 of the Company s Form S-8 Registration Statement filed September 18, 2009).*
10.5	Mechanical Technology, Incorporated Amended and Restated 2006 Equity Incentive Plan (Incorporated by reference from Exhibit 10.1 of the Company s Form S-8 Registration Statement (File No. 333-175406) filed July 8, 2011).*
10.6	Form of Restricted Stock Agreement for Mechanical Technology, Incorporated Amended and Restated 2006 Equity Incentive Plan (Incorporated by reference from Exhibit 10.2 of the Company s Form 8-K Report filed July 11, 2011).*
10.7	Mechanical Technology, Incorporated 2012 Equity Incentive Plan (Incorporated by reference from Exhibit 10.1 of the Company s Form S-8 Registration Statement (File No. 333-182730) filed July 18, 2012).*
10.8	Form of Restricted Stock Agreement Notice for Board of Directors and Employees for Mechanical Technology, Incorporated 2012 Equity Incentive Plan (Incorporated by reference from Exhibit 10.2 of the Company s Form 10-Q Report for the quarter ended June 30, 21012).*
10.9	Form of Incentive Stock Option Notice for Employees for Mechanical Technology, Incorporated 2012 Equity Incentive Plan (Incorporated by reference from Exhibit 10.3 of the Company s Form 10-Q Report for the quarter ended June 30, 21012).*
10.10	Form of Non-Qualified Stock Option Notice for Employees for Mechanical Technology, Incorporated 2012 Equity Incentive Plan (Incorporated by reference from Exhibit 10.3 of the Company s Form 10-Q Report for the quarter ended June 30, 21012).*
10.11	Form of Non-Qualified Stock Option Notice for Board of Directors for Mechanical Technology, Incorporated 2012 Equity Incentive Plan (Incorporated by reference from Exhibit 10.3 of the Company s Form 10-Q Report for the quarter ended June 30, 21012).*
10.12	MTI MicroFuel Cells Inc. 2009 Stock Plan (Incorporated by reference from Exhibit 10.167 of the Company s Form 10-K Report for the year ended December 31, 2009).*
10.13	Lease dated August 10, 1999 between Carl E. Touhey and Mechanical Technology, Inc. (Incorporated by reference from Exhibit 10.38 of the Company s Form 10-K Report for the fiscal year ended September 30, 1999).
10.14	Amendment No. 1 to Lease Agreement Between Mechanical Technology Inc. and Carl E. Touhey dated September 29, 2009 (Incorporated by reference from Exhibit 10.166 of the Company s Form 10-K Report for the year ended December 31, 2009).

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10.15	Lease dated April 2, 2001 between Kingfisher, LLC and Mechanical Technology, Inc. (Incorporated by reference from Exhibit 10.43 of the Company s Form 10-K Report for the fiscal year ended September 30, 2001).
10.16	First Amendment to lease dated March 13, 2003 between Kingfisher, LLC and Mechanical Technology, Inc. (Incorporated by reference from Exhibit 10.44 of the Company s Form 10-K Report for the year ended December 31, 2002).
10.17	Second Amendment to lease dated December 12, 2005 between Kingfisher, LLC and Mechanical Technology, Incorporated (Incorporated by reference from Exhibit 10.132 of the Company s Form 8-K Report filed December 13, 2005).
10.18	Third Amendment to lease dated August 7, 2006 between Kingfisher, LLC and Mechanical Technology, Incorporated (Incorporated by reference from Exhibit 10.142 of the Company s Form 10-Q Report for the quarter ended June 30, 2006).
10.19	Fourth Amendment to lease dated August 6, 2007 between Kingfisher LLC and Mechanical Technology, Incorporated (Incorporated by reference from Exhibit 10.148 of the Company s Form 10-Q Report for the quarter ended June 30, 2007).
10.20	Fifth Amendment of lease dated March 31, 2009 by and between Kingfisher, LLC and Mechanical Technology, Incorporated (Incorporated by reference from Exhibit 10.165 of the Company s Form 10-K Report for the year ended December 31, 2009).
10.21	Sixth Amendment to Lease dated January 1, 2010 by and between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.21 of the Company s Form 10-K Report for the year ended December 31, 2012).
10.22	Seventh Amendment to Lease Agreement by and between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.168 of the Company s Form 10-Q Report for the quarter ended June 30, 2010).
10.23	Lease Extension and Modification Agreement dated April 19, 2011, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.19 of the Company s Form 10-Q Report for the quarter ended March 31, 2011).
10.24	Lease Extension and Modification Agreement II dated July 18, 2011, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.20 of the Company s Form 10-Q Report for the quarter ended June 30, 2011).
10.25	Supplemental Lease Extension and Modification Agreement dated September 29, 2011, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.1 of the Company s Form 10-Q Report for the quarter ended September 30, 2011).

10.26 Supplemental Lease Extension and Modification Agreement II dated March 14, 2012, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.26 of the Company s Form 10-K Report for the year ended December 31, 2012).

10.27 Supplemental Lease Re-Instatement and Modification Agreement dated April 12, 2012, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.27 of the Company s Form 10-K Report for the year ended December 31, 2012).

10.28 Supplemental Lease Extension and Modification Agreement III dated December 14, 2012, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.28 of the Company s Form 10-K Report for the year ended December 31, 2012).

10.29 Supplemental Lease Extension and Modification Agreement dated June 14, 2013, between Kingfisher, LLC and MTI MicroFuel Cells, Inc. (Incorporated by reference from Exhibit 10.1 of the Company s Form 10-Q Report for the quarter ended June 30, 2013).

10.30 Employment Agreement dated May 4, 2006 between Peng K. Lim and Mechanical Technology, Incorporated (Incorporated by reference from Exhibit 10.139 of the Company s Form 8-K Report filed May 9, 2006).*

10.31 Amended and Restated Employment Agreement dated December 31, 2008 between Peng K. Lim and Mechanical Technology, Inc. (Incorporated by reference from Exhibit 10.155 of the Company s Form 10-K Report for the year ended December 31, 2008).*

10.32 Letter Agreement dated February 24, 2009 between Peng K. Lim and Mechanical Technology, Inc. (Incorporated by reference from Exhibit 10.159 of the Company s Form 10-K Report for the year ended December 31, 2008).*

10.33 Line of Credit Demand Grid Note dated September 20, 2011 between MTI Instruments, Inc. and First Niagara Bank, N.A. (Incorporated by reference from Exhibit 10.2 of the Company s Form 10-Q Report for the quarter ended September 30, 2011).

10.34 Guaranty Agreement dated September 20, 2011 between Mechanical Technology, Incorporated and First Niagara Bank, N.A. (Incorporated by reference from Exhibit 10.3 of the Company s Form 10-Q Report for the quarter ended September 30, 2011).

10.35 Security Agreement dated September 20, 2011 between MTI Instruments, Inc. and First Niagara Bank, N.A. (Incorporated by reference from Exhibit 10.4 of the Company s Form 10-Q Report for the quarter ended September 30, 2011).

10.36 MTI MicroFuel Cells Inc. Form of Convertible Note and Warrant Purchase Agreement dated September 18, 2008 (Incorporated by reference from Exhibit 10.153 of the Company s Form 10-Q Report for the quarter ended September 30, 2008).

10.37 MTI MicroFuel Cells Inc. Amendment No. 1 to Convertible Note and Warrant Purchase Agreement, Security Agreement and Secured Convertible Promissory Notes and Consent dated February 20, 2009 (Incorporated by reference from Exhibit 10.158 of the Company s Form 10-K Report for the year ended December 31, 2008).

10.38 MTI MicroFuel Cells Inc. Amendment No. 2 to Convertible Note and Warrant Purchase Agreement, Security Agreement and Secured Convertible Promissory Notes and Consent dated April 15, 2009

(Incorporated by reference from Exhibit 10.1 of the Company s Form 10-Q Report for the quarter ended June 30, 2009).

10.39	Secured Convertible Promissory Note Negotiated Conversion Agreement, dated December 9, 2009, by and among the Company, MTI Micro and the Bridge Investors (Incorporated by reference from Exhibit 10.1 of the Company s Form 8-K Report filed December 15, 2009).
10.40	Form of MTI Micro Common Stock Purchase Warrant (Incorporated by reference from Exhibit 10.2 of the Company s Form 8-K Report filed December 15, 2009).
10.41	Common Stock and Warrant Purchase Agreement, dated January 11, 2010, by and among MTI MicroFuel Cells Inc. and Counter Point
	Ventures Fund II, L.P. (Incorporated by reference from Exhibit 10.1 of the Company s Form 8-K Report filed January 14, 2010).
10.42	Form of MTI Micro Common Stock Warrant (Incorporated by reference from Exhibit 10.2 of the Company s Form 8-K Report filed January 14, 2010).
10.43	Amendment No. 1, dated February 9, 2011, to the Common Stock and Warrant Purchase Agreement, dated January 11, 2010, by and between MTI MicroFuel Cells Inc. and Counter Point Ventures Fund II, L.P. (Incorporated by reference from Exhibit 10.1 of the Company s Form 8-K Report filed February 11, 2011).
10.44	Form of MTI Micro Common Stock Warrant (Incorporated by reference from Exhibit 10.2 of the Company s Form 8-K Report filed February 11, 2011).
10.45	Amendment No. 2, dated September 23, 2011, to the Common Stock and Warrant Purchase Agreement, dated January 11, 2010, as amended February 9, 2011, by and between MTI MicroFuel Cells Inc. and Counter Point Ventures Fund II, L.P. (Incorporated by reference from Exhibit 10.1 of the Company s Form 8-K Report filed September 28, 2011).
21	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm UHY LLP.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

All other exhibits for which no other filing information is given are filed herewith.

* Represents management contract or compensation plan or arrangement.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MECHANICAL TECHNOLOGY, INCORPORATED

Date: March 6, 2014	By:	/s/ Kevin G. Lynch Kevin G. Lynch Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints each of Kevin G. Lynch and Frederick W. Jones such person s true and lawful attorney-in-fact and agent with full power of substitution, for such person and in such person s name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that any said attorney-in-fact and agent, or any substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevin G. Lynch Kevin G. Lynch	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2014
/s/ Frederick W. Jones Frederick W. Jones	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 6, 2014

/s/ Thomas J. Marusak Thomas J. Marusak	Director	March 6, 2014
/s/ David C. Michaels David C. Michaels	Director	March 6, 2014
/s/ E. Dennis O Connor E. Dennis O Connor	Director	March 6, 2014
/s/ William P. Phelan William P. Phelan	Director	March 6, 2014
/s/ Walter L. Robb Dr. Walter L. Robb	Director	March 6, 2014

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Mechanical Technology, Incorporated

We have audited the accompanying consolidated balance sheets of Mechanical Technology, Incorporated as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2013. The Company s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mechanical Technology, Incorporated as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/UHY LLP

Albany, New York

March 6, 2014

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

(Dollars in thousands, except per share)	**December 31, 2013**		**2012**	
Assets				
Current Assets:				
Cash	$	1,211	$	289
Accounts receivable		824		1,674
Inventories		742		1,118
Deferred income taxes, net		25		16
Prepaid expenses and other current assets		111		100
Total Current Assets		2,913		3,197
Deferred income taxes, net		1,475		1,519
Property, plant and equipment, net		146		129
Total Assets	$	4,534	$	4,845
Liabilities and Equity				
Current Liabilities:				
Accounts payable	$	149	$	208
Accrued liabilities		993		1,048
Deferred revenue				591
Total Current Liabilities		1,142		1,847
Commitments and Contingencies (Note 14)				
Equity:				
Common stock, par value $0.01 per share, authorized 75,000,000; 6,261,975 issued in both 2013 and 2012		63		63
Additional paid-in-capital		135,612		135,561
Accumulated deficit		(118,529)		(122,183)
Common stock in treasury, at cost, 1,005,092 shares in both 2013 and 2012		(13,754)		(13,754)
Total MTI stockholders equity (deficit)		3,392		(313)
Non-controlling interest				3,311
Total Equity		3,392		2,998
Total Liabilities and Equity	$	4,534	$	4,845

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

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2013 and 2012

(Dollars in thousands, except per share)	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Product revenue	$ 8,352	$5,900
Operating costs and expenses:		
Cost of product revenue	3,254	2,967
Unfunded research and product development expenses	1,320	1,364
Selling, general and administrative expenses	3,417	3,813
Operating income (loss)	361	(2,244)
Interest expense		(1)
Gain on variable interest entity deconsolidation	3,619	
Other (expense) income, net	(366)	162
Income (loss) before income taxes and non-controlling interest	3,614	(2,083)
Income tax expense	(35)	(6)
Net income (loss)	3,579	(2,089)
Plus: Net loss attributed to non-controlling interest	75	3
Net income (loss) attributed to MTI	$3,654	$(2,086)
Income (loss) per share attributable to MTI (Basic)	$0.70	$(0.40)
Income (loss) per share attributable to MTI (Diluted)	$0.69	$(0.40)
Weighted average shares outstanding (Basic)	5,256,883	5,256,227
Weighted average shares outstanding (Diluted)	5,308,498	5,256,227

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

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2013 and 2012

	Common Stock				Treasury Stock				
	Shares	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Shares**	**Amount**	**Total MTI Stockholders Equity (Deficit)**	**Non-Controlling Interest (NCI)**	**Total Equity**
January 1, 2012	6,259,975	$ 63	$ 135,389	$ (120,097)	1,005,092	$ (13,754)	$ 1,601	$ 3,314	$ 4,915
Net loss attributed to MTI	-	-	-	(2,086)	-	-	(2,086)	-	(2,086)
Stock based compensation	-	-	171	-	-	-	171	-	171
Issuance of shares common stock	2,000	-	1	-	-	-	1	-	1
Net loss attributed to NCI	-	-	-	-	-	-	-	(3)	(3)
December 31, 2012	6,261,975	$ 63	$ 135,561	$ (122,183)	1,005,092	$ (13,754)	$ (313)	$ 3,311	$ 2,998
Net income attributed to MTI	-	-	-	3,654	-	-	3,654	-	3,654
Stock based compensation	-	-	51	-	-	-	51	-	51
Net loss attributed to NCI	-	-	-	-	-	-	-	(75)	(75)
Equity contribution to NCI	-	-	-	-	-	-	-	25	25
Variable interest entity deconsolidation	-	-	-	-	-	-	-	(3,261)	(3,261)
December 31, 2013	6,261,975	$ 63	$ 135,612	$ (118,529)	1,005,092	$ (13,754)	$ 3,392	$ -	$ 3,392

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

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

(Dollars in thousands)	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**
Operating Activities		
Net income (loss)	$ 3,579	$(2,089)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on variable interest entity deconsolidation	(3,619)	
Depreciation	91	129
Gain on disposal of equipment	(13)	(126)
Deferred income taxes	35	
Stock based compensation	51	172
Bad debt expense		2
Provision for excess and obsolete inventories	(159)	103
Provision for related party note receivable	380	
Changes in operating assets and liabilities:		
Accounts receivable	850	205
Inventories	535	(264)
Prepaid expenses and other current assets	(11)	2
Accounts payable	(56)	17
Deferred revenue	(591)	533
Accrued liabilities	(55)	(190)
Net cash provided by (used in) operating activities	1,017	(1,506)
Investing Activities		
Cash transfer from variable interest entity deconsolidation	(25)	
Purchases of equipment	(108)	(17)
Proceeds from sale of equipment	13	143
Net cash (used in) provided by investing activities	(120)	126

Financing Activities		
Proceeds from the issuance of stock due to the exercise of warrants	25	
Net cash provided by financing activities	25	
Increase (decrease) in cash	922	(1,380)
Cash - beginning of period	289	1,669
Cash - end of period	$1,211	$289

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

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

Description of Business

Mechanical Technology, Incorporated, (MTI or the Company), a New York corporation, was incorporated in 1961. The Company s core business is conducted through MTI Instruments, Inc. (MTI Instruments), a wholly-owned subsidiary and the sole component of the Company s Test and Measurement Instrumentation segment. Through the year ended December 31, 2013, the Company also operated in a New Energy segment with business conducted through MTI MicroFuel Cells, Inc. (MTI Micro). On December 31, 2013, as a result of a stock warrant exercise, the Company transferred management of MTI Micro to Dr. Walter L. Robb (a member of the Company s and MTI Micro s board of directors) and his new management team. The Company is consequently no longer reporting MTI Micro as a variable interest entity (VIE) as of the close of business on December 31, 2013 (date of MTI Micro deconsolidation).

MTI Instruments was incorporated in New York on March 8, 2000 and is a supplier of precision linear displacement solutions, vibration measurement and system balancing systems, and wafer inspection tools, consisting of electronic gauging instruments for position, displacement and vibration application within the industrial manufacturing/production markets, as well as the research, design and process development market; tensile stage systems for materials testing at academic and industrial research settings; and engine vibration analysis systems for both military and commercial aircraft. These tools, systems and solutions are developed for markets and applications that require the precise measurements and control of products, processes, and the development and implementation of automated manufacturing, assembly, and consistent operation of complex machinery.

MTI Micro was incorporated in Delaware on March 26, 2001, and, until its operations were suspended in late 2011, had been developing a handheld energy-generating device to replace current lithium-ion and similar rechargeable battery systems in many handheld electronic devices for the military and consumer markets.

Liquidity

The Company has incurred significant losses primarily due to its past efforts to fund MTI Micro s direct methanol fuel cell product development and commercialization programs, and has an accumulated deficit of approximately $118.5 million and working capital of approximately $1.8 million at December 31, 2013.

The Company restructured the operations of the Company during the second half of 2012, which included the departure of its CEO, staffing adjustments to its MTI Instrument s sales force and reduction in MTI Instrument s production and development personnel. Based on the Company s projected cash requirements for operations and capital expenditures for 2014, its current available cash of approximately $1.2 million, the $400 thousand available from its existing line of credit at MTI Instruments, current cash flow requirements and revenue and expense projections, management believes it will have adequate resources to fund operations and capital expenditures for at least the next twelve months.

However, the Company may need to do one or more of the following to raise additional resources, or reduce its cash requirements:

1) Reduce its current expenditure run rate;

2) Defer its capital expenditures;

3) Defer its hiring plans; and

4) Secure additional debt or equity financing.

There is no guarantee that such resources will be available to the Company on terms acceptable to it, or at all, or that such resources will be received in a timely manner, if at all, or that the Company will be able to reduce its expenditure run-rate, defer its capital expenditures or hiring plans without materially and adversely effecting its business.

2. Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MTI Instruments. The consolidated financial statements also include the accounts of a former VIE, MTI Micro, through December 31, 2013. The Company was considered the primary beneficiary of the VIE until December 31, 2013, when the Company transferred management of MTI Micro to Dr. Robb and his new management team. For purposes of these consolidated financial statements, the deconsolidation of MTI Micro was effective as of the close of business on December 31, 2013. All intercompany balances and transactions are eliminated in consolidation. The Company reflected the impact of the equity securities issuances in its investment in a VIE and additional paid-in-capital accounts for the dilution or anti-dilution of its ownership interest in the VIE.

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The Company performed an analysis under the VIE model and confirmed that MTI Micro was a VIE until December 31, 2013, when the Company transferred management of MTI Micro to Dr. Robb and his new management team. To perform its evaluation, the Company assessed if the entity, MTI Micro, has equity at risk and also assessed which variable interest holder is the primary beneficiary of MTI Micro.

One of the criteria for determining whether an entity is a VIE is determining if the entity, MTI Micro, has equity at risk. Operations at MTI Micro have been suspended since 2011 and on December 30, 2013, MTI Micro had no remaining cash available to fund activities. As a result, the Company s management concluded that MTI Micro did not have equity at risk to fund operations into its next phase of development.

Another criteria for determining whether an entity is a VIE is determining which variable interest holder is the primary beneficiary of the entity. The Company's analysis to determine the primary beneficiary of MTI Micro focused primarily on determining which variable interest holder has the power to direct the activities that would have the most significant impact on the financial performance of MTI Micro. MTI Micro is governed by its own board of directors and significant decisions are determined by a majority vote of this board. The Company does not have control of the MTI Micro board of directors, but does retain one board seat on the existing MTI Micro board. Under the Articles of Incorporation of MTI Micro, each share of MTI Micro stock is entitled to a vote, and further, holders of a majority of the shares of MTI Micro's common stock have the ability to reconstitute the board. Even though Dr. Robb and Counter Point Ventures Fund II, LP (Counter Point), a venture capital fund sponsored and managed by Dr. Robb, combined to control a majority of the outstanding common stock and had the ability to elect the directors of MTI Micro and decide whether to continue to seek business opportunities for MTI Micro or instead seek opportunities to sell the intellectual property before December 31, 2013, they had previously not elected to do so. On December 31, 2013, in order to provide MTI Micro with cash to continue activities, Dr. Robb exercised a portion of his outstanding MTI Micro warrants to purchase 357,143 shares of MTI Micro Common Stock at an exercise price of $0.07 per share. In conjunction with this transaction, the Company transferred management of MTI Micro to Dr. Robb and his new management team. Subsequently, Mr. Kevin G. Lynch (the Company s Chief Executive Officer) resigned as Chief Executive Officer of MTI Micro and Mr. Frederick W. Jones (the Company s Chief Financial Officer) resigned as Secretary and Treasurer of MTI Micro. Mr. Lynch remains on the MTI Micro board of directors; representing the Company s board seat. As a result, the Company s management reassessed and determined that the Company is no longer the primary beneficiary of MTI Micro due to the change in management of MTI Micro, and as such, should deconsolidate its former VIE, MTI Micro, in the Company s consolidated financial statements as of the close of business on December 31, 2013.

The Company determined that the effect of the deconsolidation of the VIE would be to remove MTI Micro in the consolidated balance sheet as of December 31, 2013 but include MTI Micro s activity in the consolidated statement of operations for the year ended December 31, 2013. Included in the consolidated statement of operations for the year ended December 31, 2013, is a $3.6 million gain on VIE deconsolidation. This gain consists of the non-controlling interest in MTI Micro of $3.3 million as of December 31, 2013 and the $357 thousand net deficit of MTI Micro as of December 31, 2013.

The following assets and liabilities of MTI Micro were not included in the consolidated balance sheet as of December 31, 2013 as a result of the VIE deconsolidation:

(dollars in thousands)	**2013**
Cash	$25
Prepaid expenses and other current assets	1
Accounts payable	3
Related party note payable (see Note 15 for more detail)	380

The fair value of the Company s current non-controlling interest (NCI) in MTI Micro has been determined to be $0 as December 31, 2013 (date of MTI Micro deconsolidation) based on MTI Micro s net position and expected cash flows. In the future, the Company will record its investment in MTI Micro using the equity method of accounting, if applicable. As of December 31, 2013, the Company owned an aggregate of approximately 47.5% of MTI Micro s outstanding common stock, or 75,049,937 shares, and 53.3% of the common stock and warrants issued, which includes 32,904,136 warrants outstanding. As of December 31, 2013, Counter Point and Dr. Robb owned approximately 45.1% and 5.3%, respectively, of the outstanding common stock of MTI Micro or 40.3% and 4.3%, respectively of the outstanding common stock and warrants issued of MTI Micro.

NCI is classified as equity in the consolidated financial statements. The consolidated statement of operations presents net income (loss) for both the Company and the non-controlling interests. The calculation of earnings per share is based on net income (loss) attributable to the Company.

Use of Estimates

The consolidated financial statements of the Company have been prepared in accordance with United States of America Generally Accepted Accounting Principles (U.S. GAAP), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company s financial instruments consist of cash, accounts receivable and accounts payable. The estimated fair values of these financial instruments approximate their carrying values at December 31, 2013 and 2012. The estimated fair values have been determined through information obtained from market sources, where available.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are stated at the invoiced amount billed to customers and do not bear interest. An allowance for doubtful accounts, if necessary, represents the Company s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on historical write-off experience and current exposures identified. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered. The Company does not have any off-balance-sheet credit exposure related to its customers.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. The Company provides estimated inventory allowances for excess, slow moving and obsolete inventory as well as inventory whose carrying value is in excess of net realizable value.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	Lesser of the life of the lease or the useful life of the improvement
Computers and related software	3 to 5 years
Machinery and equipment	3 to 10 years
Office furniture, equipment and fixtures	2 to 10 years

Significant additions or improvements extending assets useful lives are capitalized; normal maintenance and repair costs are expensed as incurred. The costs of fully depreciated assets remaining in use are included in the respective asset and accumulated depreciation accounts. When items are sold or retired, related gains or losses are included in net (loss) income.

Income Taxes

Deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities, loss carryforwards, and tax credit carryforwards, for which income tax benefits are expected to be realized in future years. A valuation allowance has been established to reduce deferred tax assets, if it is more likely than not that all, or some portion, of such deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in the period which includes the enactment date.

The Company accounts for uncertain tax positions in accordance with accounting standards that address income taxes. The Company must recognize in its financial statements the impact of a tax position, if that position is more likely than not to be sustained on an audit, based on the technical merits of the position.

Equity Method Investments

Effective 12/31/13, in connection with the deconsolidation of MTI Micro, the Company s consolidated net income (loss) will include our proportionate share, if any, of the net income or loss of our equity method investee. When the Company records its proportionate share of net income, it increases equity income (loss), net in our consolidated statements of operations and our carrying value in that investment. Conversely, when the Company records its proportionate share of a net loss, it decreases equity income (loss), net in our consolidated statements of operations and our carrying value in that investment. The Company s proportionate share of the net income or loss of our equity method investee includes significant operating and non-operating items recorded by our equity method investee. These items can have a significant impact on the amount of equity income (loss), net in our consolidated statements of operations and our carrying value in that investment. The carrying value of our equity method investment is also impacted by our proportionate share of items impacting the equity investee s accumulated other comprehensive income, if any.

Fair Value Measurement

The estimated fair value of certain financial instruments, including cash and short-term debt approximates their carrying value due to their short maturities and varying interest rates. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Company is required to provide the following information according to the fair value accounting standards. These standards established a fair value hierarchy as specified that ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities, which includes listed equities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data. These items are typically priced using models or other valuation techniques. These models are primarily financial industry-standard models that consider various assumptions, including the time value of money, yield curves, volatility factors, as well as other relevant economic measures.

Level 3: These use unobservable inputs that are not corroborated by market data. These values are generally estimated based upon methodologies utilizing significant inputs that are generally less observable from objective sources.

Revenue Recognition

The Company applies the accounting guidance for revenue recognition in the evaluation of its contracts to determine when to properly recognize revenue. The following outlines the various types of revenue and the determination of the recognition of income for each category:

Product Revenue

Product revenue is recognized when there is persuasive evidence of an arrangement, the collection of a fixed fee is probable or determinable, and delivery of the product to the customer or distributor has occurred, at which time title generally is passed to the customer or distributor. All of these generally occur upon shipment of the product. If the product requires installation to be performed by the Company, all revenue related to the product is deferred and recognized upon the completion of the installation. If the product requires specific customer acceptance, revenue is deferred until customer acceptance occurs or the acceptance provisions lapse, unless the Company can objectively and reliably demonstrate that the criteria specified in the acceptance provisions is satisfied.

MTI Instruments currently has distributor agreements in place for the international sale of general instrument and semiconductor products in certain global regions. Such agreements grant a distributor the right of first refusal to act as distributor for such products in the distributor s territory. In return, the distributor agrees to not market other products which are considered by MTI Instruments to be in direct competition with MTI Instruments products. The distributor is allowed to purchase MTI Instruments equipment at a price which is discounted off the published domestic/international list prices. Such list prices can be adjusted by MTI Instruments during the term of the distributor agreement, but MTI Instruments must provide advance notice at least 90 days before the price adjustment goes into effect. Generally, payment terms with the distributor are standard net 30 days; however, on occasion, extended payment terms have been granted. Title and risk of loss of the product passes to the distributor upon delivery to the independent carrier (standard free-on-board factory), and the distributor is responsible for any required training and/or service with the end-user. The sale (and subsequent payment) between MTI Instruments and the distributor is not contingent upon the successful resale of the product by the distributor. Distributor sales are covered by MTI Instruments standard one-year warranty and there are no special return policies for distributors.

Some of MTI Instruments direct sales, particularly sales of semi-automatic semiconductor metrology equipment, or rack-mounted vibration systems, involve on-site customer acceptance and/or installation. In those instances, revenue recognition does not take place at time of shipment. Instead, MTI Instruments recognizes the sale after the unit is installed and/or an on-site acceptance is given by the customer. Agreed-upon acceptance terms and conditions, if any, are negotiated at the time of purchase.

Cost of Product Revenue

Cost of product revenue includes material, labor, overhead and shipping and handling costs.

Deferred Revenue

Deferred revenue consists of billings to and/or payments received from customers in advance of services performed, completed installation or customer acceptance. As of December 31, 2013, the Company had no deferred revenue. As of December 31, 2012, the Company had $591 thousand in deferred revenue, which primarily consisted of several vibration analysis accessory kits which were completed, but not yet shipped to the customer at the customer s request.

Warranty

The Company accrues a warranty liability at the time product revenue is recorded based on historical experience. The liability is reviewed during the year and is adjusted, if appropriate, to reflect new product offerings or changes in experience. Actual warranty claims are tracked by product line. Warranty liability was $17 thousand and $20 thousand at December 31, 2013 and 2012, respectively.

Long-Lived Assets

The Company accounts for impairment or disposal of long-lived assets in accordance with accounting standards that address the financial accounting and reporting for the impairment or disposal of long-lived assets, specify how impairment will be measured, and how impaired assets will be classified in the consolidated financial statements. On a quarterly basis, the Company analyzes the status of its long-lived assets at each subsidiary for potential impairment. As of December 31, 2013, the Company does not believe that any of its long-lived assets have suffered any type of impairment that would require an adjustment to that asset s recorded value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of less than three months.

Net Income (Loss) per Share

The Company computes basic income (loss) per common share by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted income (loss) per share reflects the potential dilution, if any, computed by dividing income (loss) by the combination of dilutive common share equivalents, comprised of shares issuable under outstanding investment rights, warrants and the Company s share-based compensation plans, and the weighted average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money stock options, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of a stock option, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of windfall tax benefits that would be recorded in additional paid-in capital, if any, when the stock option is exercised are assumed to be used to repurchase shares in the current period.

Share-Based Payments

The Company accounts for stock based awards exchanged for employee service in accordance with the stock-based payment accounting guidance. The Company has four share-based employee compensation plans, all of which are described more fully in Note 12, Stock Based Compensation.

Stock-based compensation represents the cost related to stock-based awards granted to employees and directors. The Company measures stock-based compensation cost at grant date based on the estimated fair value of the award, and recognizes the cost as expense on a straight-line basis in accordance with the vesting of the options (net of estimated forfeitures) over the option s requisite service period. The Company estimates the fair value of stock-based awards using a Black Scholes valuation model. Stock-based compensation expense is recorded in the lines titled Selling, general and administrative expenses and Unfunded research and product development expenses in the Consolidated Statements of Operations based on the employees respective functions.

The Company records deferred tax assets for awards that potentially can result in deductions on the Company s income tax returns based on the amount of compensation cost that would be recognized upon issuance of the award and the Company s statutory tax rate. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company s income tax return are recorded in Additional Paid-In Capital (if the tax deduction exceeds the deferred tax asset) or in the Consolidated Statement of Operations (if the deferred tax asset exceeds the tax deduction and no historical pool of windfall tax benefits exists). Since the adoption of the revised accounting standard on share-based payments, no tax benefits have been recognized related to share-based compensation since the Company has established a full valuation allowance to offset all potential tax benefits associated with these deferred tax assets.

Concentration of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk principally consist of cash equivalents and trade accounts receivable. The Company s trade accounts receivable are primarily from sales to commercial customers, the U.S. government and state agencies. The Company does not require collateral and has not historically experienced significant credit losses related to receivables from individual customers or groups of customers in any particular industry or geographic area.

The Company has cash deposits in excess of federally insured limits.

Research and Development Costs

The Company expenses research and development costs as incurred. The Company incurred research and development costs of approximately $1.3 million and $1.4 million, which was primarily related to MTI Instruments, for the years ended December 31, 2013 and 2012, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. The Company incurred advertising costs of approximately $73 and $38 thousand, which was entirely related to MTI Instruments, for the years ended December 31, 2013 and 2012, respectively.

Other Comprehensive Income

The Company had no other comprehensive income (loss) items for the years ended December 31, 2013 and 2012.

Effect of Recent Accounting Pronouncements

Recent pronouncements issued by the FASB, or other authoritative accounting standard groups with future effective dates, are either not applicable, or are not expected to be significant to the financial statements of the Company.

3. Accounts Receivable

Accounts receivables consist of the following at December 31:

(dollars in thousands)	2013		2012	
U.S. and State Government	$	37	$	874

Commercial		787		800
Total	$	824	$	1,674

As of December 31, 2013 and 2012, the Company had no allowance for doubtful trade accounts receivable.

4. Inventories

Inventories consist of the following at December 31:

(dollars in thousands)	2013		2012	
Finished goods	$	287	$	265
Work in process		188		482
Raw materials		267		371
Total	$	742	$	1,118

5. Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

(dollars in thousands)	**2013**		**2012**	
Leasehold improvements	$	32	$	954
Computers and related software		1,281		1,709
Machinery and equipment		810		1,390
Office furniture and fixtures		125		271
		2,248		4,324
Less: Accumulated depreciation		2,102		4,195
	$	146	$	129

Depreciation expense was $91 thousand and $129 thousand for 2013 and 2012, respectively. Repairs and maintenance expense was $19 thousand and $57 thousand for 2013 and 2012, respectively. In conjunction with the suspension of MTI Micro operations in late 2011, sales of certain surplus equipment on hand were made during 2013 and 2012. This resulted in a net gain on sale of $13 thousand and $130 thousand for 2013 and 2012, respectively. As of December 31, 2013 and December 31, 2012, all $13 thousand and $143 thousand, respectively in sales proceeds have been received.

6. Income Taxes

Income tax (expense) benefit for each of the years ended December 31 consists of the following:

(dollars in thousands)	**2013**	**2012**
Federal	$	$
State		(6)
Deferred	(35)	
Total	$ (35)	$ (6)

The significant components of deferred income tax (expense) benefit from operations before non-controlling interest for each of the years ended December 31 consists of the following:

(dollars in thousands)	**2013**	**2012**
Deferred tax expense (benefit)	$ 64	$ (2,783)
Net operating loss carry forward	(165)	772
Valuation allowance	66	2,011
	$ (35)	$

The Company s effective income tax rate from operations before non-controlling interest differed from the Federal statutory rate for each of the years ended December 31 as follows:

	2013		**2012**	
Federal statutory tax rate	34	%	34	%
Gain on VIE deconsolidation	(33)			
Change in valuation allowance	(2)		97	
Adjustment to opening deferred tax balance			(131)	
Expiration of stock option	1			
Other, net	1			
Tax Rate	1	%	0	%

Pre-tax income (loss) before non-controlling interests was $3.6 million and $(2.1) million for 2013 and 2012, respectively.

Deferred Tax Assets:

Deferred tax assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates. Temporary differences, net operating loss carryforwards and tax credit carryforwards that give rise to deferred tax assets and liabilities are summarized as follows as of December 31:

(dollars in thousands)	**2013**	**2012**
Current deferred tax assets:		
Inventory valuation	$ 65	$ 120
Inventory capitalization	4	7
Vacation pay	34	35
Warranty and other sale obligations	6	7
Allowance for related party note receivable	131	
Other reserves and accruals	63	29
	303	198
Valuation allowance current	(278)	(182)
Net current deferred tax assets	$ 25	$ 16
Noncurrent deferred tax assets:		
Net operating loss	$ 17,450	$ 18,426
Property, plant and equipment		51
Stock options	83	173
Research and development tax credit	450	450
Alternative minimum tax credit	54	54
	18,037	19,154
Valuation allowance noncurrent	(16,562)	(17,635)
Non-current net deferred tax assets	$ 1,475	$ 1,519

As of December 31, 2013, the Company has approximately $450 thousand of research and development tax credit carry forwards, which begin to expire in 2018, and approximately $54 thousand of alternative minimum tax credit carry forwards, which have no expiration date.

Valuation Allowance:

The Company provides for recognition of deferred tax assets if the realization of such assets is more likely than not to occur in accordance with accounting standards that address income taxes. Significant management judgment is required in determining the period in which the reversal of a valuation allowance should occur. The Company has considered all available evidence, both positive and negative, such as historical levels of income and future forecasts of taxable income amongst other items, in determining our valuation allowance. In addition, the Company s assessment requires us to schedule future taxable income in accordance with accounting standards that address income taxes to assess the appropriateness of a valuation allowance which further requires the exercise of significant management judgment.

As a result of our analyses in 2011, the Company released a portion of our valuation allowance against its deferred tax assets. The partial release of the valuation allowance caused an incremental tax benefit of $1.5 million that was recognized in the fourth quarter of 2011. The release of a portion of the valuation allowance was based upon a recent cumulative income history for MTI and its subsidiary exclusive of MTI Micro (MTI Micro files separate federal and state tax returns) causing the Company to evaluate what portion of the Company's deferred tax assets it believes are more likely than not to be realized.

The Company has determined that it expects to generate sufficient levels of pre-tax earnings in the future to realize the net deferred tax assets recorded on the balance sheet at December 31, 2013. The Company has projected such pre-tax earnings utilizing a combination of historical and projected results, taking into consideration existing levels of permanent differences, non-deductible expense and the reversal of significant temporary differences. We project that our taxable income for the next three years is adequate to ensure the realizability of the $1.5 million of deferred tax assets recorded on our balance sheet at December 31, 2013. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust the recorded valuation allowance, which could materially impact our financial position and results of operations. We will continue to evaluate the ability to realize our deferred tax assets and related valuation allowance on a quarterly basis.

The Company believes that the accounting estimate for the valuation of deferred tax assets is a critical accounting estimate because judgment is required in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns. The Company based the estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. In the event that actual results differ from these estimates or the Company adjusts these estimates in future periods, the Company may need to adjust the recorded valuation allowance, which could materially impact our financial position and results of operations.

The valuation allowance at December 31, 2013 and 2012 was $16.8 million and $17.8 million, respectively. Activity in the valuation allowance for deferred tax assets is as follows as of December 31:

(dollars in thousands)	**2013**	**2012**
Valuation allowance, beginning of year	$ 17,817	$ 19,828
VIE deconsolidation	(911)	
Allowance for related party note receivable	131	
Inventory	(58)	32
Net operating loss	(130)	296
Property, plant and equipment	(19)	
Stock options	(22)	(2,476)
Other reserves and accruals	32	(90)
Deductions charged to other accounts		227
Valuation allowance, end of year	$ 16,840	$ 17,817

The remaining valuation allowance at December 31, 2013 of $16.8 million primarily relates to net operating losses. The Company will continue to evaluate the ability to realize its deferred tax assets and related valuation allowances on a quarterly basis.

Net operating losses:

At December 31, 2013, the Company has unused Federal net operating loss carryforwards of approximately $51.9 million. Of these, $2.5 million will expire in 2020, with the remainder expiring through 2034. There were no expirations of net operating losses in 2013.

As a result of the conversion of the Bridge Notes in December of 2009, MTI no longer maintained an 80% or greater ownership in MTI Micro. Thus, MTI Micro is no longer included in Mechanical Technology, Incorporated and Subsidiaries' consolidated federal and combined New York State tax returns, effective December 9, 2009. Pursuant to the Internal Revenue Service's consolidated tax return regulations (IRS Regulation Section 1.1502-36), upon MTI Micro leaving the Mechanical Technology, Incorporated and Subsidiaries consolidated group, MTI has elected to reduce a portion of its stock tax basis in MTI Micro by "reattributing" a portion of MTI Micro's net operating loss carryforwards to MTI, for an amount equivalent to its built in loss in MTI's investment in MTI Micro's stock. As the result of MTI making this election with its December 31, 2009 tax return, MTI reattributed approximately $45.2 million of MTI Micro's net operating losses (reducing its tax basis in MTI Micro's stock by the same amount), leaving MTI Micro with approximately $13 million of separate company net operating loss carry forwards at the time of conversion of the Bridge Notes.

As of December 31, 2013, it is estimated that MTI has net operating loss carryforwards of approximately $51.9 million. Of the Company s carryforwards, $1.3 million represents windfall tax benefits from stock option transactions, the tax effect of which are not included in the Company s net deferred tax assets.

In addition, a formal Section 382 study was performed for the Company. The Company's and/or its subsidiaries ability to utilize their net operating loss carryforwards may be significantly limited by Section 382 of the IRC of 1986, as amended, if the Company or any of its subsidiaries undergoes an ownership change as a result of changes in the ownership of the Company's or its subsidiaries outstanding stock pursuant to the exercise of the warrants or otherwise. A corporation generally undergoes an ownership change when the ownership of its stock, by value, changes by more than 50 percentage points over any three-year testing period. In the event of an ownership change, IRC Section 382 imposes an annual limitation on the amount of post-ownership change taxable income a corporation may offset with pre-ownership change net operating loss carryforwards and certain recognized built-in losses. As of December 31, 2013, the Company does not appear to have had an ownership change for IRC Section 382 purposes.

Unrecognized tax benefits:

The unrecognized tax benefits in accordance with accounting standards that address income taxes at December 31, 2013 and 2012 was $1.2 million. These unrecognized tax benefits relate to former subsidiaries of the Company and a prior investment in a partnership.

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In future periods, if $1.2 million of these unrecognized benefits become supportable, the Company may not recognize a change in its effective tax rate as long as it remains in a partial valuation allowance position. Additionally the Company does not have uncertain tax positions that it expects will increase or decrease within twelve months of this reporting date. In accordance with the Company s accounting policy, it recognizes interest and penalties related to uncertain tax positions as a component of tax expense. This policy did not change as a result of the adoption of accounting guidance for uncertain tax positions. The Company did not recognize any interest or penalties in 2013 and 2012. For both December 31, 2013 and 2012, the Company had $0 of accrued interest and penalties related to uncertain tax positions.

The Company files income tax returns, including returns for its subsidiaries, with federal and state jurisdictions. The Company is no longer subject to IRS or NYS examinations for its federal and state returns for any periods prior to 2009, although carryforward attributes that were generated prior to 2009 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period.

7. Accrued Liabilities

Accrued liabilities consist of the following at December 31:

(dollars in thousands)	**2013**		**2012**	
Salaries, wages and related expenses	$	399	$	309
Liability to shareholders for previous acquisition		363		363
Legal and professional fees		103		126
Warranty and other sale obligations		17		20
Commissions		39		31
Other		72		199
	$	993	$	1,048

8. Stockholders Equity

Common Stock

The Company has one class of common stock, par value $.01. Each share of the Company s common stock is entitled to one vote on all matters submitted to stockholders. As of December 31, 2013 and 2012 there were 5,256,883 shares of common stock issued and outstanding.

Reservation of Shares

The Company has reserved common shares for future issuance as follows as of December 31, 2013:

Stock options outstanding	585,382
Common stock available for future equity awards or issuance of options	141,374
Number of common shares reserved	726,756

9. Issuance of Common Stock, Warrants and Stock Options by MTI Micro

MTI Micro was formed on March 26, 2001, and, as of December 31, 2013, the Company owned an aggregate of approximately 47.5% of MTI Micro s outstanding common stock, or 75,049,937 shares, and 53.3% of the common stock and warrants issued, which includes 32,904,136 warrants outstanding. As of December 31, 2013, Counter Point and Dr. Robb owned approximately 45.1% and 5.3%, respectively, of the outstanding common stock of MTI Micro or 40.3% and 4.3%, respectively of the outstanding common stock and warrants issued of MTI Micro. The number of shares of MTI Micro common stock authorized for issuance is 240,000,000 as of December 31, 2013.

As a result of the deconsolidation of MTI Micro operations on December 31, 2013 (see Note 2), MTI Micro will no longer remain in our consolidated operations.

Common Stock Issued MTI Micro

On December 31, 2013, Dr. Robb exercised a portion of his outstanding MTI Micro warrants to purchase 357,143 shares of MTI Micro Common Stock at an exercise price of $0.07 per share.

The following table represents changes in ownership between the Company and non-controlling interests (NCI) in common shares of MTI Micro:

	MTI		Non Controlling Interests		
	Shares	Ownership %	Shares	Ownership %	Total Shares
Balance at 12/31/11	75,049,937	47.61	82,573,107	52.39	157,623,044
Balance at 12/31/12	75,049,937	47.61	82,573,107	52.39	157,623,044
Stock issued from the exercise of warrants			357,143		357,143
Balance at 12/31/13	75,049,937	47.51	82,930,250	52.49	157,980,187

Reservation of Shares

MTI Micro has reserved common shares for future issuance, broken down between the Company and NCI, as follows as of December 31, 2013:

	MTI	NCI	Total
Stock options outstanding		1,138,240	1,138,240
Warrants outstanding	32,904,136	11,839,268	44,743,404
Number of shares reserved for outstanding options and warrants	32,904,136	12,977,508	45,881,644

During the year ended December 31, 2013, there were 391,800 option cancellations. Effective December 11, 2013, the MTI Micro Board of Directors voted that the MTI MicroFuel Cells Inc. 2009 Stock Plan be terminated immediately.

Warrants Issued MTI Micro

On December 9, 2009, MTI Micro issued warrants to the then current shareholders of MTI Micro, including the Company, without consideration, to purchase 32,779,310 shares of MTI Micro Stock at an exercise price of $0.07 per share. The warrants became exercisable on December 9, 2010 and expire on December 8, 2017. The warrants have been accounted for as an equity distribution of $2.0 million, including warrants to the Company with a value of $2.0 million, which were eliminated in consolidation.

On December 9, 2009, MTI Micro issued warrants to the Bridge Investors of MTI Micro, including the Company, to purchase 5,081,237 shares of MTI Micro Stock at an exercise price of $0.07 per share. The MTI Micro Warrants became exercisable on December 9, 2009 and will expire on the earlier of: (i) April 15, 2014; (ii) immediately prior to a change in control; or (iii) immediately prior to an initial public offering of MTI Micro. The MTI Micro Warrants were issued without consideration and were accounted for as equity and a loss on extinguishment of debt was recorded in the amount of $289 thousand, including warrants to the Company with a value of $57 thousand, which were eliminated in consolidation.

Under the Purchase Agreement entered into on January 11, 2010, MTI Micro issued 5,714,286 MTI Micro Warrants to Counter Point to purchase shares of MTI Micro Common Stock at an exercise price of $0.07 per share. The MTI Micro Warrants became exercisable on the date of issuance and will expire on the earlier of: (a) the five (5) year anniversary of the Date of Issuance of the Warrant; (b) immediately prior to a change in control; or (c) the closing of a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act. The MTI Micro Warrants were accounted for as equity.

Under Amendment No. 1 entered into on February 9, 2011, MTI Micro issued 1,285,715 MTI Micro Warrants to Counter Point to purchase shares of MTI Micro Common Stock at an exercise price of $0.07 per share. The MTI Micro Warrants became exercisable on the date of issuance and will expire on the earlier of: (a) the five (5) year anniversary of the Date of Issuance of the Warrant; (b) immediately prior to a change in control; or (c) the closing of a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act. The MTI Micro Warrants were accounted for as equity.

Under Amendment No. 2 entered into on September 23, 2011, MTI Micro issued 240,000 MTI Micro Warrants to Counter Point to purchase shares of MTI Micro Common Stock at an exercise price of $0.07 per share. The MTI Micro Warrants became exercisable on the date of issuance and will expire on the earlier of: (a) the five (5) year anniversary of the Date of Issuance of the Warrant; (b) immediately prior to a change in control; or (c) the closing of a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act. The MTI Micro Warrants were accounted for as equity.

10. Retirement Plan

The Company maintains a voluntary savings and retirement plan under IRC Section 401(k) covering substantially all employees. Employees must complete six months of service and have attained the age of twenty-one prior to becoming eligible for participation in the plan. The Company plan allows eligible employees to contribute a percentage of their compensation on a pre-tax basis and the Company matches employee contributions dollar for dollar up to a discretionary amount, currently 4%, of the employee s salary, subject to annual tax deduction limitations. Company matching contributions vest at a rate of 25% annually for each year of service completed. Company matching contributions were $60 thousand and $92 thousand for 2013 and 2012, respectively. The Company may also make additional discretionary contributions in amounts as determined by management and the Board of Directors. There were no additional discretionary contributions by the Company for the years 2013 or 2012.

11. Income (Loss) per Share

The following table sets forth the reconciliation of the numerators and denominators of the basic and diluted per share computations for continuing operations for the years ended December 31:

(dollars in thousands, except shares)	**2013**	**2012**
Numerator:		
Net income (loss)	$ 3,654	$(2,086)
Denominator:		
Basic EPS:		
Common shares outstanding, beginning of period	5,256,883	5,254,883
Weighted average common shares issued during the period		1,344
Denominator for basic earnings per common shares Weighted average common shares	5,256,883	5,256,227
Diluted EPS:		
Common shares outstanding, beginning of period	5,256,883	5,254,883
Common stock equivalents - options	51,615	
Weighted average common shares issued during the period		1,344
Denominator for diluted earnings per common shares - Weighted average common shares	5,308,498	5,256,227

Not included in the computation of earnings per share-assuming dilution for the year ended December 31, 2013 were options to purchase 332,506 shares of the Company s common stock. These potentially dilutive items were excluded even though the average market price of the common stock exceeded the exercise prices for a portion of the options because the calculation of incremental shares resulted in an anti-dilutive effect.

Not included in the computation of earnings per share-assuming dilution for the year ended December 31, 2012 were options to purchase 305,744 shares of the Company s common stock. These potentially dilutive items were excluded because the Company incurred a loss for this period and their inclusion would be anti-dilutive.

12. Stock Based Compensation

MTI Option Plans

Stock-based incentive awards are provided to employees and directors under the terms of the Company s 1996 Stock Incentive Plan (1996 Plan), 1999 Employee Stock Incentive Plan (1999 Plan), 2006 Equity Incentive Plan (2006 Plan), which was amended and restated effective June 30, 2011 and September 16, 2009 and 2012 Equity Incentive Plan (the 2012 Plan), (collectively, the Plans). Awards under the Plans have generally included at-the-money options and restricted stock grants.

The 1996 Plan was approved by stockholders during December 1996 and expired during October 2006. The 1996 Plan provided an initial aggregate number of 500,000 shares of common stock to be awarded or issued. The number of shares available to be awarded under the 1996 Plan and awards outstanding were adjusted for stock splits and rights offerings. The total number of shares which may be awarded under the 1996 Plan was 468,352 during 2005. Under the 1996 Plan, the Board of Directors was authorized to issue stock options, stock appreciation rights, restricted stock, and other stock-based incentives to officers, employees and others.

The 1999 Plan was adopted by the Company s Board of Directors, approved by stockholders on March 18, 1999 and expired during 2009. The 1999 Plan provided an initial aggregate number of 1,000,000 shares of common stock to be awarded or issued. The number of shares to be awarded under the 1999 Plan and awards outstanding were adjusted for stock splits, and during 2005, 2006, and 2007, the total number of shares which could be awarded under the 1999 Plan was 562,500 shares. Under the 1999 Plan, the Board of Directors was authorized to issue stock-based awards to officers, employees and others.

The 2006 Plan was adopted by the Company s Board of Directors on March 16, 2006 and approved by stockholders on May 18, 2006. The plan was amended and restated by the Board of Directors effective September 16, 2009 and June 30, 2011. The September 16, 2009 Amended and Restated 2006 Equity Incentive Plan increased the initial aggregate number of 250,000 shares of common stock which may be awarded or issued to 600,000, and the June 30, 2011 Amended and Restated 2006 Equity Incentive Plan increased the aggregate number of shares of common stock which may be awarded or issued to 1,200,000. The number of shares which may be awarded under the 2006 Plan and awards outstanding has been adjusted for stock splits and other similar events. Under the 2006 Plan, the Board of Directors is authorized to issue stock options, stock appreciation rights, restricted stock, and other stock-based incentives to officers, employees and others. In connection with seeking stockholder approval of the 2012 Plan, the Company agreed not to make further awards under the 2006 Plan.

Stock options are awards which allow holders to purchase shares of the Company s common stock at a fixed price. Stock options issued to employees generally vest 50% immediately, and then quarterly over the next three years. Options issued to non-employee members of the MTI Board of Directors generally vest upon grant. Certain options granted may be fully or partially exercisable immediately, may vest on other than a four year schedule or vest upon attainment of specific performance criteria. Restricted stock awards generally vest one year after the date of grant; however, certain awards may vest immediately or vest upon attainment of specific performance criteria. Option exercise prices are generally equivalent to the closing market value price of the Company s common stock on the date of grant. Unexercised options generally terminate either seven or ten years after date of grant.

The 2012 Plan was adopted by the Company s Board of Directors on April 14, 2012 and approved by stockholders on June 14, 2012. The 2012 Plan provides an initial aggregate number of 600,000 shares of common stock which may be awarded or issued. The number of shares which may be awarded under the 2012 Plan and awards outstanding can be subject to adjustment on account of any recapitalization, reclassification, stock split, reverse stock split and other dilutive changes in Common Stock. Under the 2012 Plan, the Board of Directors is authorized to issue stock options (incentive and nonqualified), stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to employees, officers, directors, consultants and advisors of the Company and its subsidiaries. Incentive stock options may only be granted to employees of the Company and its subsidiaries.

Stock-based compensation expense for the years ended December 31, 2013 and 2012 was generated from stock option awards. Stock options are awards which allow holders to purchase shares of the Company s common stock at a fixed price. Under the 2012 Plan, stock options issued to employees generally vest 25% over four years. Options issued to non-employee members of the MTI Board of Directors generally vest 25% over four years. Certain options granted may be fully or partially exercisable immediately, may vest on other than a four year schedule or vest upon attainment of specific performance criteria. Restricted stock awards generally vest one year after the date of grant; however, certain awards may vest immediately or vest upon attainment of specific performance criteria. Option exercise prices are generally equivalent to the closing market value price of the Company s common stock on the date of grant. Unexercised options generally terminate ten years after date of grant.

The Company estimates the fair value of stock options using a Black-Scholes valuation model. Key inputs and assumptions used to estimate the fair value of stock options include the grant price of the award, the expected option term, volatility of the Company s stock, an appropriate risk-free rate, and the Company s dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company. The Company s estimate of an expected option term was calculated in accordance with the simplified method for calculating the expected term assumption.

During 2013, the Company granted 298,000 options to purchase the Company s common stock from the 2012 Plan, which generally vest 25% on each of the first four anniversaries of the date of the award. The exercise price of these grants ranged from $0.46 per share to $0.90 per share and was based on the closing market price of the Company s common stock on the dates of grant. Using a Black-Scholes Option Pricing Model, the weighted average fair value of these options was $0.58 per share and was estimated at the date of grant.

During 2012, the Company granted 2,000 shares of the Company s common stock from the 2006 Plan, which immediately vested and the stock was issued to the holder. The shares were granted from the 2006 Plan before the 2012 Plan was approved by the shareholders. The fair value of this grant was $0.31 per share and was based on the closing market price of the Company s common stock on the date of grant.

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During 2012, the Company granted 224,500 options to purchase the Company s common stock from the 2012 Plan, which generally vest 25% on each of the first four anniversaries of the date of the award. The exercise price of these grants was $0.29 per share and was based on the closing market price of the Company s common stock on the dates of grant. Using a Black-Scholes Option Pricing Model, the weighted average fair value of these options was $0.27 per share and was estimated at the date of grant. During 2012, 62,000 options of the 2012 grants were cancelled before vesting occurred.

The following table presents the weighted-average assumptions used for options granted under the 2012 Plan:

	2013	**2012**
Option term (years)	4.13	4.73
Volatility	204.95%	183.56%
Risk-free interest rate	1.05%	0.71%
Dividend yield	0%	0%
Weighted-average fair value per option granted	$ 0.58	$ 0.27

Share-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, therefore, awards are reduced for estimated forfeitures. The revised accounting standard requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Total share-based compensation expense, related to all of the Company s share-based awards, recognized for the years ended December 31, was comprised as follows:

(dollars in thousands, except eps)	**2013**	**2012**
Unfunded research and product development	$ 3	$ 3
Selling, general and administrative	46	25
Share-based compensation expense	$ 49	$ 28
Impact on basic and diluted EPS	$ 0.009	$ 0.005

Total unrecognized compensation costs related to non-vested awards as of December 31, 2013 and December 31, 2012 is $160 thousand and $42 thousand, respectively and is expected to be recognized over a weighted-average remaining vesting period of approximately 2.98 years and 3.30 years, respectively.

As a result of the amendments in 2011 and 2009 of the 2006 Plan, 600,000 and 350,000 additional shares were made available for granting, respectively. Presented below is a summary of the Company s stock option plans activity for the years ended December 31:

	2013	**2012**
Shares under option, beginning	305,744	797,437
Granted	298,000	226,500
Exercised		(2,000)
Forfeited	(1,874)	(272,827)
Expired/canceled	(16,488)	(443,366)
Shares under option, ending	585,382	305,744
Options exercisable	197,253	137,436
Remaining shares available for granting of options	141,374	437,500

The weighted average exercise price for the Plans is as follows for each of the years ended December 31:

		2013		**2012**
Shares under option, beginning	$	2.05	$	10.56
Granted		0.60		0.29
Exercised				
Forfeited		0.29		1.00
Expired/canceled		13.73		17.12
Shares under option, ending		0.99		2.05
Options exercisable, ending		1.91		4.17

The following table summarizes information for options outstanding and exercisable for the Plans as of December 31, 2013:

	Outstanding Options			Options Exercisable	
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$0.00 - $1.15	550,876	8.72	$ 0.51	162,747	$ 0.49
$1.16 - $3.60	21,000	5.87	$ 1.40	21,000	$ 1.40
$3.61 - $14.24	7,814	0.29	$ 10.54	7,814	$ 10.54
$14.25 - $22.64	2,314	2.00	$ 19.75	2,314	$ 19.75
$22.65 - $33.36	1,595	0.73	$ 33.09	1,595	$ 33.09
$33.37 - $50.24	1,783	0.47	$ 49.31	1,783	$ 49.31
	585,382	8.43	$ 0.99	197,253	$ 1.91

The aggregate intrinsic value (i.e. the difference between the closing stock price and the price to be paid by the option holder to exercise the option) is $315 thousand for the Company s outstanding options and $97 thousand for the exercisable options as of December 31, 2013. The amounts are based on the Company s closing stock price of $1.08 as of December 31, 2013.

There were no unvested restricted stock grants for the year ended December 31, 2013 and 2012.

Non-vested options activity is as follows for the year ended December 31:

	2013 Options	2013 Weighted Average Exercise Price
Non-vested options balance, beginning January 1	168,308	$0.31
Non-vested options granted	298,000	$0.60
Vested options	(76,305)	$0.39
Non-vested options forfeited	(1,874)	$0.29
Non-vested options balance, ending December 31	388,129	$0.52

MTI Micro Option Plans

As a result of the deconsolidation of MTI Micro operations on December 31, 2013 (see Note 2), MTI Micro will no longer remain in our consolidated operations.

MTI Micro had two plans for issuing MTI Micro stock-based incentive awards; the MTI MicroFuel Cells Inc. 2001 Employee, Director and Consultant Stock Option Plan (2001 MTI Micro Plan) and the MTI MicroFuel Cells Inc. 2009 Stock Plan (2009 Micro Plan), (collectively, the MTI Micro Plans).

The 2001 MTI Micro Plan was approved by MTI Micro s stockholders in 2001 and provided an initial aggregate number of 1,766,000 shares of MTI Micro common stock to be awarded. The number of shares which may be awarded under the 2001 MTI Micro Plan and awards outstanding have been adjusted for a 2004 reverse stock split, and during 2005, 2006, and 2007, the total number of shares which may be awarded under the 2001 MTI Micro Plan were 3,416,667 shares. Under the 2001 MTI Micro Plan, the MTI Micro Board of Directors was authorized to award stock options to officers, directors, employees and consultants. During 2005, MTI Micro ceased making grants under the 2001 MTI Micro Plan and determined that it would make no new awards under this plan in the future.

The MTI Micro Board of Directors approved the 2009 Micro Plan on December 8, 2009. This plan provided an initial aggregate number of 38,000,000 shares of MTI Micro s common stock to be awarded. Under the 2009 Micro Plan, the MTI Micro Board of Directors is authorized to award stock options to directors, employees, consultants and advisors of MTI Micro. Effective December 11, 2013, the MTI Micro Board of Directors voted that the 2009 Micro Plan be terminated immediately.

There were no stock options granted in 2013 and 2012. Options generally vest 50% on the grant date and 50% ratably on a quarterly basis over the next three years. The fair value of stock options granted was estimated at the date of grant using a Black-Scholes Option Pricing Model. Share-based compensation expense recognized in the Consolidated Statement of Operations is based on awards ultimately expected to vest, therefore, awards are reduced for estimated forfeitures. The accounting standard requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company has assumed a forfeiture rate of 5% for its outstanding grants.

Presented below is a summary of compensation expense, which is included in the summary of the Company s compensation expense under all share-based awards above, for the MTI Micro Plans:

	2013	2012
(dollars in thousands)		
Stock option compensation expense	$ 2	$ 144
Total stock-based compensation expense	$ 2	$ 144

All awards were fully vested as of December 31, 2013 and, as such, there is no unrecognized compensation costs related to these awards as of December 31, 2013.

Presented below is a summary of the MTI Micro Plans activity for the years ended December 31:

	2013	2012
Shares under option, beginning	1,530,040	25,124,220
Granted		
Exercised		
Canceled/Forfeited	(391,800)	(23,594,180)
Shares under option, ending	1,138,240	1,530,040
Options exercisable	1,138,240	1,418,960
Remaining shares available for granting of options		36,472,960

The weighted average exercise price for the MTI Micro Plans is as follows for each of the years ended December 31:

	2013		2012	
Shares under option, beginning	$	0.07	$	0.07
Granted				
Exercised				
Canceled/Forfeited		0.07		0.07
Shares under option, ending		0.07		0.07
Options exercisable, ending		0.07		0.07

The weighted average fair value of stock options granted is required to be based on a theoretical statistical model using the preceding Black-Scholes Option Pricing Model assumptions.

The following table summarizes information for options outstanding and exercisable for the MTI Micro Plans as of December 31, 2013:

Outstanding Options				Options Exercisable	
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$0.07	1,138,240	6.23	$ 0.07	1,138,240	$ 0.07

13. Cash Flows Supplemental Information

Cash paid for interest on the line of credit was $1 thousand and $1 thousand, respectively during the years ended December 31, 2013 and 2012.

Non-cash activities are as follows for the year ended December 31:

(dollars in thousands)	2013	2012
Supplemental Disclosure of Non-Cash Activities:		
Deconsolidation of VIE (MTI Micro)		
Prepaid expenses and other current assets	$1	$
Accounts payable	(3)	
Related party note payable	(380)	

14. Commitments and Contingencies

Contingencies:

Legal

We are subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. We accrue for losses associated with legal claims when such losses are probable and can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change. Legal fees are charged to expense as they are incurred.

In January 2013, an action commenced and is pending in the State of New York Supreme Court in Albany County upon a complaint of the plaintiff, Berkshire Bank, against Kingfisher, LLC; Edward L. Hoe, Jr.; Mechanical Technology, Incorporated; MTI MicroFuel Cells Inc.; Xcelaero Corporation; Regional Emergency Medical Services Council of the Hudson-Mohawk Valleys, Inc.; Inverters Unlimited Inc.; and John Doe No. 1 through John Doe No. 15 (the named defendants) for the foreclosure of the mortgaged premises located at 431 New Karner Road, Town of Colonie, County of Albany, New York. The Company was named as a party defendant to this action by virtue of its former possession of a portion of the mortgaged premises, and the fact that they have, or claim to have, a leasehold or other possessory interest in a portion of the mortgaged premises. On October 1, 2013, the State of New York Supreme Court in Albany County granted a judgment of foreclosure and closed out this action. The Company is under no obligations in relation to this judgment.

We do not believe there are any such additional proceedings presently pending which could have a material adverse effect on our financial condition.

Commitments:

Leases

The Company and its subsidiary lease certain manufacturing, laboratory and office facilities. The leases generally provide for the Company to pay either an increase over a base year level for taxes, maintenance, insurance and other costs of the leased properties or the Company s allocated share of insurance, taxes, maintenance and other costs of leased properties. The leases contain renewal provisions.

There are no future minimum rental payments required under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2013. The current lease agreement expires on November 30, 2014 and negotiations are underway for leasing facilities beyond this time period. Rent expense under all leases was $284 thousand and $323 thousand for 2013 and 2012, respectively.

Licenses

During 2012, MTI Micro had residual royalty agreements with NYSERDA in conjunction with two contracts from 2002 and 2010. These licensing agreements are currently immaterial, and there were no amounts accrued in the condensed consolidated balance sheet as of December 31, 2012 related to these royalty provisions.

Employment Agreement

The Company has an employment agreement with one employee that provides certain payments upon termination of employment under certain circumstances, as defined in the agreement. As of December 31, 2013, the Company s potential minimum obligation to this employee was approximately $63 thousand.

Royalty Commitment

On January 28, 2010, MTI Instruments entered into an Asset Purchase and Sale Agreement with Ernest F. Fullam, Inc., Peter Fullam and Diane Fullam to acquire the tensile stage line of products from Ernest F. Fullam, Inc, a pioneering microscopy accessories company from Clifton Park, NY. MTI Instruments purchased machinery, inventory and the rights to use the Fullam/MTI Instruments product name. Additionally, commencing with the calendar quarter ended March 31, 2010 and ending at the close of the calendar quarter ended December 31, 2012, MTI Instruments paid Ernest F. Fullam, Inc. a royalty equal to 5% of the Gross Sales achieved on specific Fullam products. Royalty expense related to this agreement was $20 thousand for the year ended December 31, 2012. No further royalties exist under this agreement.

15. Related Party Transactions

MTI Micro

On December 18, 2013, MTI Micro and the Company executed a Senior Demand Promissory Note (the Note) in the amount of $380 thousand to secure the intercompany amounts due to the Company from MTI Micro upon the deconsolidation of MTI Micro. Interest accrues on the Note at the Prime Rate in effect on the first business day of the month, as published in the Wall Street Journal. At the Company s option, all or part of the principal and interest due on this Note may be converted to shares of common stock of MTI Micro at a rate of $0.07 per share. Interest will begin accruing on January 1, 2014. As of December 31, 2013, the Company has recorded a full allowance against the Note. The $380 thousand allowance was recorded as miscellaneous expense during the year ended December 31, 2013.

On December 31, 2013, Dr. Robb exercised a portion of his outstanding MTI Micro warrants to purchase 357,143 shares of MTI Micro Common Stock at an exercise price of $0.07 per share.

As of December 31, 2013, the Company owned an aggregate of approximately 47.5% of MTI Micro s outstanding common stock, or 75,049,937 shares, and 53.3% of the common stock and warrants issued, which includes 32,904,136 warrants outstanding. As of December 31, 2013, Counter Point and Dr. Robb owned approximately 45.1% and 5.3%, respectively, of the outstanding common stock of MTI Micro or 40.3% and 4.3%, respectively of the outstanding common stock and warrants issued of MTI Micro.

Consulting Services

During the years ended December 31, 2013 and 2012, the Company paid $80 thousand and $80 thousand, respectively to Loudon Advisors for Kevin Lynch s services as the Acting Chief Executive Officer of the Company, through April 30, 2013.

16. Geographic and Segment Information

The Company sells its products on a worldwide basis with its principal markets listed in the table below where information on product revenue is summarized by geographic area for the Company as a whole for each of the years ended December 31:

(dollars in thousands)	**2013**		**2012**	
Product revenue:				
United States	$	5,467	$	3,684
ASEAN		2,110		1,635
EMEA		571		489
North America		191		72
South America		13		20
Total product revenue	$	8,352	$	5,900

Revenues are attributed to regions based on the location of customers.

Long-lived assets of $146 thousand and $129 thousand at December 31, 2013 and 2012, respectively consist of property, plant and equipment all located within the United States of America.

The Company operated in two business segments**,** Test and Measurement Instrumentation and New Energy during 2013 and 2012. The Test and Measurement Instrumentation segment designs, manufactures, markets and services high performance test and measurement instruments and systems, wafer characterization tools for the semiconductor and solar industries, tensile stage systems for materials testing at academic and industrial settings, and computer-based balancing systems for aircraft engines. The New Energy segment is focused on commercializing direct methanol fuel cells. As a result of the deconsolidation of MTI Micro operations on December 31, 2013 (see Note 2), the New Energy segment will no longer remain in our consolidated operations. The Company s principal operations are located in North America.

The accounting policies of the Test and Measurement Instrumentation and New Energy segments are similar to those described in the summary of significant accounting policies (Note 2). The Company evaluates performance based on profit or loss from operations before income taxes. Inter-segment sales and expenses are not significant.

In the Test and Measurement Instrumentation segment, the U.S. Air Force accounted for 27.2% of total revenue in 2013 and 22.3% of total product revenue in 2012. The largest commercial customer in 2013 was an Asian customer, who accounted for 6.8% of total product revenue in 2013. The largest commercial customer in 2012 was an Asian distributor, who accounted for 6.9% of total product revenue in 2012.

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Summarized financial information concerning the Company s reportable segments is shown in the following tables. The Other column includes corporate related items and items such as income taxes or unusual items, which are not allocated to reportable segments. The Reconciling Items column includes non-controlling interests in a consolidated entity. In addition, segments non-cash items include any depreciation in reported profit or loss. The New Energy segment figures include the Company s direct micro fuel cell operations. As a result of the deconsolidation of MTI Micro operations on December 31, 2013 (see Note 2), the New Energy segment will no longer remain in our consolidated operations.

(dollars in thousands)	**Test and Measurement Instrumentation**	**New Energy**	**Other**	**Reconciling Items**	**Condensed Consolidated Totals**
Year Ended December 31, 2013					
Product revenue	$ 8,352	$	$	$	$ 8,352
Unfunded research and product development expenses	1,320				1,320
Selling, general and administrative expenses	2,051	89	1,277		3,417
Segment income (loss) from operations before income taxes and non-controlling interest	1,190	(142)	(1,053)	3,619	3,614
Segment income (loss)	1,190	(143)	(1,087)	3,694	3,654
Total assets	1,693		2,841		4,534
Capital expenditures	84		24		108
Depreciation	82	4	5		91

(dollars in thousands)	**Test and Measurement Instrumentation**	**New Energy**	**Other**	**Reconciling Items**	**Condensed Consolidated Totals**
Year Ended December 31, 2012					
Product revenue	$ 5,900	$	$	$	$ 5,900
Unfunded research and product development expenses (income)	1,365	(1)			1,364
Selling, general and administrative expenses	1,908	160	1,745		3,813
Segment loss from operations before income taxes and non-controlling interest	(1,069)	(5)	(1,009)		(2,083)
Segment (loss) income	(1,069)	(5)	(1,015)	3	(2,086)
Total assets	2,902	105	1,838		4,845
Capital expenditures	17				17
Depreciation	94	33	2		129

The following table presents the details of Other segment (loss) profit for each of the years ended December 31:

(dollars in thousands)	**2013**	**2012**

Corporate and other (expenses) income:				
Depreciation	$	(5)	$	(2)
Salaries and benefits		(619)		(899)
Allowance on related party note payable		(380)		
Income tax expense		(34)		(6)
Other expense, net		(49)		(108)
Total (expense) income	$	(1,087)	$	(1,015)

17. Line of Credit

On September 20, 2011, MTI Instruments entered into a working capital line of credit with First Niagara Bank, N.A. MTI Instruments may borrow from time to time up to $400 thousand to support its working capital needs. The note is payable upon demand, and the interest rate on the note is equal to the prime rate with a floor of 4.0% per annum. The note is secured by a lien on all of the assets of MTI Instruments and is guaranteed by the Company. The line of credit was renewed on September 23, 2013. The line of credit is subject to a review date of June 30, 2014. Under the line of credit, MTI Instruments is required to maintain a line balance of $0 for thirty consecutive days during each calendar year. As of December 31, 2013 and December 31, 2012, there were no amounts outstanding under the line of credit.