

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2012

OR

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

For the transition period from _____ to _____

Commission file number 1-10869

UQM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Colorado	84-0579156
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4120 Specialty Place, Longmont, Colorado	80504
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 682-4900

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered	
Common Stock	NYSE MKT	Berlin Stock Exchange
	Chicago Stock Exchange	Frankfurt Stock Exchange
	Pacific Stock Exchange	Stuttgart Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None.

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

[] Large accelerated filer [X] Accelerated filer [] Non-accelerated filer [] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X] (Do not check if a smaller reporting company)

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates as of September 30, 2011, based on the closing price of the Common Stock as reported by the NYSE MKT on such date was approximately \$59,723,063. As of May 22, 2012, there were 36,560,564 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held August 8, 2012.	Part III

Table of Contents

PART I . *

Item 1. Business . *

Item 1A. Risk Factors. *

Item 1B. Unresolved Staff Comments . *

Item 2. Properties . *

Item 3. Legal Proceedings . *

Item 4. Mine Safety Disclosure . *

PART II . *

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

Item 6. Selected Financial Data . *

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

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

Item 8. Financial Statements and Supplementary Data . *

Reports of Independent Registered Public Accounting Firm . *

Consolidated Balance Sheets as of March 31, 2012 and March 31, 2011 . *

Consolidated Statements of Operations for the Fiscal Years ended March 31, 2012, 2011 and 2010. *

Consolidated Statements of Stockholders' Equity for the Fiscal Years ended March 31, 2012, 2011 and 2010. *

Consolidated Statements of Cash Flows for the Fiscal Years ended March 31, 2012, 2011 and 2010 . *

Notes to Consolidated Financial Statements . *

Item 9. Change In and Disagreements with Accountants on Accounting and Financial Disclosure . *

Item 9A. Controls and Procedures . *

Item 9B. Other Information. *

PART III . *

Item 10. Directors, Executive Officers and Corporate Governance . *

Item 11. Executive Compensation. *

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

Item 13. Certain Relationships and Related Transactions and Director Independence . *

Item 14. Principal Accountant Fees and Services . *

PART IV . *

PART I

toc *

ITEM 1. BUSINESS

toc *

This Report contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These statements appear in a number of places in this Report and include statements regarding our plans, beliefs or current expectations; including those plans, beliefs and expectations of our officers and directors with respect to, among other things, orders to be received under our supply agreement with CODA Automotive, Inc. ("CODA Automotive" or "CODA"), future financial results and the continued growth of the electric-powered vehicle industry. Important Risk Factors that could cause actual results to differ from those contained in the forward-looking statements are listed below in Part I, Item 1A. Risk Factors.

Overview

UQM Technologies, Inc., ("UQM" or the "Company") is a developer and manufacturer of power dense, high efficiency electric motors, generators and power electronic controllers for the automotive, commercial truck, bus and military markets. Our primary focus is incorporating our advanced technology into products for clean vehicles including propulsion systems for electric, hybrid electric, plug-in hybrid electric and fuel cell electric vehicles that are expected to experience rapid growth over the next ten years. We were incorporated in 1967 as a Colorado corporation. Our headquarters and manufacturing facility is located in Longmont, Colorado.

The global automotive market is experiencing substantial change driven by a number of factors including changing consumer preferences, global macro-economic and geo-political developments, the high price of gasoline, increasing competition and additional governmental regulation and incentives. As a result of these factors, particularly, carbon dioxide standards in Europe and the Corporate Average Fuel Economy ("CAFE") standards in the United States, automakers are developing and introducing, or planning to introduce, additional vehicle models with increasing levels of electrification including serial and parallel hybrid-electric vehicles ("HEV"), plug-in hybrid electric vehicles ("PHEV") and all-electric vehicles ("EV"). These vehicles offer improved energy equivalent gas mileage, lower operating and repair costs and reduced or no tailpipe emissions. The California Air Resources Board has also passed rules to require 15.4% of all new vehicles sold in California to be EVs, PHEVs or hydrogen fuel cell powered vehicles by 2025. In addition, there are 10 additional states that are considering adopting this new rule. Further, governments around the globe have launched initiatives to subsidize the cost of developing clean vehicles and the components used by them including motors and generators, batteries, and power management systems. Government incentives have also been adopted to encourage the purchase of HEVs, PHEVs and EVs by consumers in many developed nations around the world, including a \$7,500 federal tax credit in the United States and tax credits in twelve states of up to \$7,500 for purchases of qualifying vehicles. Additionally, in Europe fifteen of twenty-seven European Union member states provide tax incentives for electrically chargeable vehicles and China has a trial program to offer incentives of up to 60,000 Yuan (approximately \$9,500 USD) for the private purchase of a new battery electric vehicle and 50,000 Yuan (approximately \$7,900 USD) for the purchase of PHEVs in five cities. Several automobile manufacturers have indicated that they expect these factors to result in the growth of hybrid vehicle models to over 20% of vehicle sales in 2020 and one international automaker has stated that it expects all-electric vehicles to capture up to a 5% market share by 2020.

We make propulsion system products, generators and related auxiliary components for EVs HEVs and PHEVs. We market our products in many segments of the transportation sector including passenger vehicles and light trucks, commercial trucks and buses, off-road vehicles including agricultural and construction equipment, boats and military vehicles. We believe our proprietary permanent magnet propulsion motor and motor control technology delivers exceptional performance at a highly competitive cost. Our principal products include propulsion motors and generators with power ratings from 25 kilowatts to 220 kilowatts, auxiliary motors and electronic controls, DC-to-DC converters and DC-to-AC inverters that convert direct current to usable alternating current. The principal attributes of our products that we believe differentiate our proprietary products are compact size, high torque delivery, high power density (the ratio of power output to weight) and high energy efficiency .

We believe we are well-positioned to participate in the expanding worldwide market for clean vehicles. In addition to our portfolio of high performance products, we have taken a number of steps over the last several years to position the company to meet the needs of our automotive customers including: 1) adding three executives from leading automobile and Tier 1 suppliers to the automobile industry; 2) adding additional technical and manufacturing resources and capability; 3) designing, installing and qualifying volume production lines for our motors and generators and their related electronic

controllers; 4) establishing a global sourcing capability; 5) enhancing our logistics, production and administrative processes to support higher volumes of manufacturing operations; 6) relocating our headquarters and manufacturing operations into a 129,304 square foot, world-class facility with 15 adjacent acres for future expansion and 7) launching the next generation of our products which are expected to have improved performance and efficiency, a smaller package size and a lower production cost.

In 2010 we entered into a ten year Supply Agreement with CODA Automotive ("CODA") to supply UQM PowerPhase Pro® 100 kW electric propulsion systems for CODA's all-electric four-door sedan. In October 2011 we launched volume production of this system and began providing systems to CODA. In March 2012 CODA began selling its all-electric passenger car to fleets and consumers in the State of California through its recently established dealer network. To date, CODA has established four dealers in California and has announced its intention to establish a significant number of additional dealers across the United States by the end of calendar year 2012. CODA has also completed an agreement with Great Wall Motors Company, Baoding, China to co-develop an all-electric vehicle for worldwide distribution. Great Wall was the fastest growing Chinese automobile manufacturer in 2011 with 487,000 vehicles sold. Under this arrangement Great Wall and CODA intend to co-develop and introduce the most affordable EV on the market, comparable to entry-level internal combustion engine vehicles after incentives.

We also supply electric propulsion systems to Proterra, Inc., a developer and manufacturer of all-electric composite transit buses and Electric Vehicles International ("EVI") a developer and manufacturer of all-electric medium-duty delivery trucks. Proterra recently completed durability testing of its vehicles at Altoona. Completion of Altoona testing is required by many municipalities who purchase buses. EVI recently began building 100 all-electric delivery vans for UPS that are expected to be placed in service in calendar year 2012 and has received an order from Frito Lay for delivery trucks powered by UQM® electric propulsion systems. EVI also has launched an initiative to deploy 500 fully electric return-to-base delivery trucks over the next two years to help implement California Governor Brown's executive order to achieve widespread deployment of electric vehicles throughout California.

Our electric propulsion systems are powering development vehicles including the all-electric Audi A1 e-tron test fleet vehicles, dozens of which began testing on the streets of Munich, Germany in the fall of 2011 and the Rolls Royce 102EX all-electric Phantom car. In addition to these programs, the company is supplying its electric propulsion systems and generators to numerous other international automakers and entrepreneurial automobile developers as part of their HEV, PHEV and EV vehicle development programs.

We have been awarded a \$45.1 million grant (the "Grant") from the U.S. Department of Energy ("DOE") under the American Recovery and Reinvestment Act ("ARRA"). The period of the Grant is through January 12, 2015. The objective of the Grant is to accelerate the commercialization of products and the installation of manufacturing infrastructure necessary for the deployment of electric vehicles, batteries and components in the United States. Capital expenditures for facilities, tooling and manufacturing equipment and the qualification and testing of products associated with the launch of volume production for CODA and other production intent customers qualify for 50 percent reimbursement under the DOE program. Our ability to utilize funding from this Grant has allowed us to accelerate the productionization of our product portfolio and install volume production lines and other infrastructure providing us with a

significant advantage over other motor manufactures and competitors who do not have access to such funds. Through March 31, 2012 we have qualified for reimbursements under the DOE Grant of \$16.8 million.

We market internationally through: 1) Direct sales to original equipment manufacturers; 2) Tier 1 suppliers of OEMs; 3) Vehicle integrators; and 4) Trade shows and symposiums.

We derive our revenue from two principal sources: 1) the manufacture and sale of products engineered by us; and 2) funded contract research and development services performed for strategic partners, customers and the U.S. government directed toward either the advancement of our proprietary technology portfolio or the application of our proprietary technology to customers' products. For the fiscal year ended March 31, 2012 total revenue rose 12 percent to \$10,143,456 and our net loss for the fiscal year increased to \$4,928,520 or \$0.14 per common share from \$1,992,358 or \$0.06 per common share last fiscal year.

Electrification of Vehicles

Potentially large markets are developing as a result of the electrification of a wide-range of vehicle platforms. Increased electrification is being pursued for a variety of application specific reasons including: 1) changing consumer preferences; 2) global macro-economic and geo-political developments; 3) the high price of gasoline; 4) increasing competition; and 5) additional governmental regulation and incentives. Of these reasons, additional governmental regulations and incentives has emerged as a significant factor in the development and potential rate of growth of the emerging vehicle electrification markets and is being reinforced by rising crude oil prices and higher gasoline and diesel prices. We expect this trend toward higher fuel prices to continue for the foreseeable future, driven by tight supply levels, geopolitical turmoil in key oil producing countries and expected future increases in world demand, driven principally by escalating consumption of fossil fuels by developing countries such as China and India. The U.S. government has adopted new regulations extending fuel economy standards to medium- and heavy-duty trucks for the first time beginning with model year 2014. CAFE standards will increase the average fuel economy of each manufacturer's passenger car and light truck model offerings to be 35.5 miles per gallon by 2016 and 54.5 miles per gallon by 2025. The California Air Resources Board has also passed rules to require 15.4% of all new vehicles sold in California to be EVs, PHEVs or hydrogen fuel cell powered vehicles by 2025. In addition, there are 10 additional states that are considering adopting this new rule.

Other recent U.S. Government legislation provides incentives for the production and sale of environmentally friendly vehicles, including the Advanced Technology Vehicles Manufacturing Incentive Program and the American Recovery and Reinvestment Act of 2010. A partial listing of some of the more notable provisions of this legislation includes:

- Federal and state tax credits for the purchase of environmentally friendly vehicles;
- Low cost loans to manufacturers and component suppliers to purchase infrastructure and develop manufacturing capacity for clean vehicles and components used in these vehicles;
- Funding for government agencies to acquire environmentally friendly vehicles;
- Grants for the development of clean vehicles and clean vehicle component technology; and
- Grants for the development of a "smart" electric grid.

The U.S. Government has a policy goal of one million electric vehicles on the road by 2015 and President Obama has announced a directive to government agencies to ensure that by 2015, all new vehicles they purchase are alternative-fuel vehicles, including hybrid and electric vehicles. The Federal government operates more than 600,000 fleet vehicles.

There are similar programs in other countries around the world. For example, Germany has a goal of one million electric vehicles by 2020 and five million by 2030 and China has announced a goal of one million new energy vehicles by 2015 and five million by 2020 and has supported this objective by allocating \$100 billion Yuan (approximately \$15 billion USD) over ten years for investment in core technologies related to all-electric and hybrid electric vehicles.

Numerous studies have been conducted over the last several years indicating the potential for electric vehicles to capture significant market share over the next five to ten years. Table 1 summarizes the forecasts of these studies:

Table 1: Electrification Forecast - Unit Sales (thousands)					
Forecast	Geography	Forecast Year	PHEV	EV	Combined
Pike Research	United States	2015	200	60	260
Deloitte		2015			up to 50-80
Consulting	United States	2020			up to 300-800
BCG	North America	2020	up to 1,350	up to 1,350	2,700
JD Power and Associates	Worldwide and United States	2020		World: 1,300 US: 100	
McKinsey & Company	Worldwide	2020	up to 4,500	up to 1,500	up to 6,000
		2030	up to 22,000	up to 7,000	up to 29,000

Source: UCLA Luskin School of Public Affairs, May 2011

We believe that the trend toward increasing electrification of vehicles will continue at an accelerated pace providing a substantial opportunity for the broad commercial application of our products.

Technology

Our technology base includes a number of proprietary technologies and patents related to brushless permanent magnet motors, generators and power electronic controllers, together with software code to intelligently manage the operation of our systems.

The operating characteristics of electric motors for vehicle propulsion are different from those of more conventional industrial motors. Propulsion motors ideally deliver high levels of torque efficiently at variable rotational speeds and possess the ability to transition from high torque to high speed over a relatively constant power curve allowing, in many cases, the elimination of conventional transmissions. Our proprietary propulsion systems have been specifically developed for these applications and deliver exceptional torque and high rotational

speeds in a compact, energy efficient machine.

The typical architecture of a UQM® electric machine (motor/generator) consists of a stator winding employing a high pole count configuration, which allows for high copper utilization (minimizing energy loss and cost), and a rotor that contains powerful rare-earth permanent magnets. Commutation of the machine is accomplished electronically by sensing the position of the rotor in relation to the stator and intelligently pulsing electrical energy into the stator such that the electric field generated by the stator interacts with the magnetic field of the rotor, producing rotational motion (motor operation). Conversely, the application of rotational motion by an external force results in the generation of electrical power (generator operation). UQM® machines can be operated in either a forward or reverse direction of rotation and either in motor or generator mode and can dynamically change from one mode of operation to another in millisecond response time. The design features inherent to the electric machine contribute to lower usage of copper, iron and other materials generally (due to smaller package dimensions), reducing manufacturing costs compared to conventional machines of similar power. UQM® machines have high operating efficiencies, high power density (high power output to weight ratio) and generally have smaller external dimensions and weight for a given power output, improving packaging. These attributes have allowed us to price our advanced motors and controls competitively with lesser performing conventional motors and controls, which we believe will accelerate the rate of commercialization of our technology.

Rare-earth magnet pricing has been volatile over the last two years, peaking in late 2011 before retreating substantially in 2012. There are many factors that contribute to this volatility, and as a result of future pricing uncertainty, UQM is pursuing an advanced motor technology that eliminates rare-earth elements. The technology incorporates permanent magnets of an alternate chemistry, arranged in a unique way that maintains performance benefits. A patent application has been submitted to protect this innovation. UQM was also selected and awarded \$3 million by the DOE in a competitive solicitation to pursue this technology. This award was announced in August 2011 and is a three-year technology development program.

Attributes of our microprocessor-based digital power electronic controllers include high power operation (up to 600 amps and 700 volts), four-quadrant control (forward/reverse and motoring/generating), reduced switching losses relative to conventional technology, adaptive switch timing control and controller area network ("CAN") capability. As a result, UQM® controllers have high operating efficiencies, high power density (high power output to weight ratio) and generally have smaller external dimensions and weight for a given power output, improving packaging.

The UQM® embedded digital signal processor ("DSP") software is the intelligence that coordinates the interaction between the motor/generator and controller, as well as interfacing with a vehicle controller. Software control algorithms are an important part of the Company's intellectual property portfolio. One aspect of the software is a patented method of control referred to as Phase Timing Advancement that enables UQM® motors to deliver both high output torque at low operating speeds and high power at increasing operating speeds. We have extended the capability of Phase Advance Control by using Adaptive Control techniques. These proprietary software algorithms alter the switching strategy as a function of DC voltage, operating speed, output power and temperature to optimize system performance under dynamically changing conditions. The result is maximized output and efficiency that decreases fuel consumption in hybrid electric vehicles and increases the range of battery electric vehicles. The Company's software also optimizes the output per unit of voltage and current, maximizing the utilization of the onboard stored energy and other electrical devices by extracting power from substantially the entire electrical cycle of the motor/generator. The development and application of these proprietary control algorithms have allowed us to continue increasing the peak and continuous power output and the efficiency of our systems. In addition, our controllers now have user configurable functionality and increased data transmission speeds and response times, improving vehicle capability. Included in this functionality is the ability to switch between torque and speed control dynamically, which is especially useful for parallel hybrids and generator applications of our technology.

Desired propulsion attributes consist of high torque to launch the vehicle from a standing-stop, with a subsequent transition to high power as the vehicle is accelerated to highway speeds. In the majority of conventional internal combustion engine powered vehicles, the transition from high torque to high power is accomplished through the multiple gear changes performed by a mechanical transmission. UQM® systems, incorporating proprietary DSP software technology, are suited as propulsion drives in HEVs, PHEVs and EVs due to their ability to power a vehicle from a standing-stop to highway speeds without mechanical gear changes, thereby eliminating the size, weight, complexity and cost of multi-speed mechanical transmissions.

The ability to provide both high torque and high top speed creates additional advantages in military vehicles. High torque at low speed translates into obstacle and grade climbing capability that is more challenging in an off-road environment, while high speed enables pursuit, dash and evasive maneuvers as well as convoy transport. Conventional propulsion systems meet the high torque and high road speed requirements by using a transmission and additional gearing beyond that used for commercial vehicles.

We have also developed auxiliary electronic products that perform other functions on HEVs, PHEVs and EVs. We currently manufacture proprietary DC-to-DC converters that reduce the voltage level of vehicle battery packs with nominal voltages of 250 volts to 450 volts to 12 or 24 volts required to power lower voltage devices onboard these vehicles. We also offer a high voltage DC-to-AC inverter, which converts DC power stored in vehicle battery packs (250 volt to 450 volt) to high quality 110/120 volt AC power. This device provides 5 kW of sinusoidal output (40 amps) with an efficiency of up to 93 percent. It powers devices that are typically plugged into a standard wall outlet and its high power quality will handle sensitive loads, including communication systems and power tools.

We have two U.S. patent applications pending: one that covers rotor technology for a permanent magnet electric machine and another that covers a brushless PM machine construction using low coercivity (non-rare-earth) magnets. We are also performing research and development to continually improve the functionality of the microprocessor software we use to intelligently control our motor/controller system.

The majority of our research and development activities are the result of projects contracted with and funded by customers, for which we typically retain intellectual property rights in the resulting technology developed. Customer funded development activities are recorded in our financial statements as contract services revenue and the associated development costs are shown as costs of contract services. Internally-funded research and development expenditures are charged to research and development expense when incurred.

In recent years, we have focused our research and development activities on the development of commercial products and production engineering activities to lower the cost of manufacture, as well as enhance the performance and capability of our systems, as opposed to basic research in the field. We believe our future growth is dependent, in part, on the continued advancement of our technology portfolio and our ability to commercialize our technology in additional product applications and markets. Accordingly, we expect to selectively invest in internally funded development projects to accomplish these objectives.

Markets for our Products

We believe that our technology and products are well-suited for application in a wide-range of vehicles as the trend toward electrification continues to gain momentum. In this regard, we have focused our attention on several markets where we believe we can most effectively compete and which we expect will have higher than average rates of growth and expansion. A brief description of each of these markets follows:

Passenger automobiles and light trucks - In past years, more than 50 million passenger automobiles and light trucks were sold worldwide of which 11 to 17 million units were sold annually in the United States. Over the last several years a market has developed for automobiles that are powered by hybrid electric powertrains. These vehicles have good performance and provide above average fuel economy compared to conventional automobiles. Several automakers have introduced all-electric passenger vehicles including Nissan, Mitsubishi and CODA. The CODA all-electric passenger car is powered by a UQM® electric propulsion system. In addition, several automakers have announced plans to introduce all-electric vehicles in 2012 including Ford and Tesla.

We are also supplying UQM® electric propulsion systems to Audi for their test fleet of A-1 e-tron all electric passenger cars and to Rolls Royce for their Phantom all-electric concept passenger vehicle.

In addition to established automakers, there are a variety of small entrepreneurial companies that are developing and have introduced or intend to introduce all-electric, hybrid-electric or plug-in hybrid-electric cars. Most visible of these companies is our customer, CODA, which introduced an all-electric passenger vehicle in March of this year in the State of California (see also "the CODA Program" below), as well as Tesla, which introduced an all-electric sports car and hopes to introduce an all-electric passenger car this summer and Fisker Automotive, which introduced a plug-in hybrid sports car and also hopes to introduce a plug-in hybrid passenger car at a future date. Although many of these entrepreneurial companies lack substantial financial resources of established automobile manufacturers and/or significant automobile industry experience, they are pursuing a variety of strategies to introduce these types of automobiles into either niche markets, such as for fleet users or high-end luxury sports car buyers, or the consumer vehicle market generally. Should any of these companies be successful in commercializing their product offerings, it could cause the growth rate of this market to accelerate. These companies are generally using electric or hybrid electric powertrains that they

have developed themselves or have been developed by other entrepreneurial companies.

Trucks, Buses and Recreational Vehicles - In 2011, approximately 320,000 medium and heavy-duty on-road trucks were sold in the United States. The market for these vehicles is characterized by a large number of suppliers, a wide-range of vehicle designs and configurations, diverse power and performance levels and relatively low production volumes for each model. As a result, the typical truck, bus and other medium and heavy-duty vehicle manufacturer have traditionally out-sourced many of these components and will likely continue to do so for the components necessary to electrify their vehicles. Accordingly, we expect these manufacturers to purchase products from suppliers who have developed technologically advanced electric motors; generators and power electronic energy management controls that can be applied to their vehicles. Recently, a subsector of this market has begun to develop for medium-duty delivery trucks that operate on a well-defined route where average daily mileage requirements have little variability. In this subsector, truck manufacturers are beginning to offer delivery trucks with custom designed battery capacity whereby the delivery vehicle has only the battery content onboard that is necessary to achieve its route mileage plus a small increment of additional energy for contingencies. For these trucks, the optimized amount of energy stored in batteries reduces the cost of the batteries onboard an all-electric truck to a point where the vehicle is nearly competitively priced, on a life-cycle cost basis, with a conventional internal combustion powered delivery truck of the same size. We believe this pricing parity will accelerate the growth of this subsector in the near term. We are supplying electric propulsion systems to Electric Vehicles International, who has developed an all-electric medium-duty delivery truck. EVI recently announced an order for 100 delivery trucks for UPS and an order from Frito Lay for delivery trucks powered by UQM® electric propulsion systems. EVI has launched an initiative to deploy 500 fully electric return-to-base delivery trucks over the next two years to help implement California's Governor Brown's executive order to achieve widespread deployment of electric vehicles throughout California. We expect the medium and heavy-duty hybrid electric truck market to grow at an accelerating rate as potential customers for these vehicles gain a greater understanding of their operational, environmental and economic advantages.

We are currently supplying an automotive qualified DC-to-DC converter to Eaton Corporation which is used onboard medium and heavy-duty hybrid trucks sold by Freightliner, International and Paccar and we offer for sale a DC-to-AC inverter to meet the growing onboard and export power requirements of hybrid trucks.

Several truck manufacturers are also considering other electrically-based products that either enhance the utility of their vehicles, such as the ability to generate large amounts of exportable electric power, or that may be necessary to meet regulatory mandates, such as diesel engine emission standards and restrictions on emissions arising from diesel engine idling. We intend to continue to aggressively pursue the commercialization of our products for these and other applications in the market for electric and hybrid trucks as it emerges over the next several years.

We are also supplying propulsion systems for electric buses being developed and produced by Proterra. The 37-foot Proterra composite body bus is being developed in both an all-electric battery and plug-in hybrid configuration. Proterra recently announced that they increased their production capacity to 400 buses per year at their 200,000 square foot bus manufacturing facility in Greenville, South Carolina. Proterra also recently completed the rigorous Altoona vehicle durability and full-life testing program required to sell buses to many municipal transit operators.

Off-road vehicles - We have also developed electric power products for the aircraft and aerospace market and the boat and marine market. In the boat market, we have developed generators for onboard power production in hybrid-electric boats as well as electric propulsion systems. We are currently supplying electric propulsion systems to ReGen Nautic for use in the Goldfish 23 all electric eFUSION boat. Goldfish plans to deploy an additional 10 eFUSION boats this year and has plans to use our PowerPhase Pro system as part of a higher volume jet drive propulsion system. We believe that the fuel efficiency benefits of vehicle electrification can be realized in the boat and marine market. Although our focus is primarily on-road applications, we will continue to leverage our technology and products in these potentially large niche markets as opportunities present themselves.

Military vehicles - The U.S. military purchases a wide-range of ground vehicles each year including combat vehicles such as tanks, self-propelled artillery and armored personnel carriers, as well as a variety of light, medium and heavy-duty trucks for convoy and supply operations and for the transport of fuel used on the battlefield. The military is particularly interested in the electrification of vehicles because the attributes that these vehicles possess offer exceptional potential for the military to achieve its long-term objectives of developing a highly mobile, lethal fighting force. Fuel economy improvements in military vehicles transfer into substantial savings in support infrastructure and transportation costs associated with transporting fuel to the battlefield, which is typically thousands of miles from the United States. For example, if fuel economy improvements of 25 percent are achieved in the average truck, a corresponding amount of fuel does not have to be transported and therefore a corresponding number of airplanes or tankers are not required in the transportation process. Also, the availability of onboard electrical power on military vehicles opens up new opportunities for the development of sophisticated surveillance, detection and battlefield monitoring equipment and for laser, microwave and electrical pulse weapon systems. It is estimated that the military purchases approximately 8,000 trucks per year and greater numbers during periods of armed conflict. As is the case with large off-road equipment, these vehicles are produced in relatively lower volumes, operate at higher power levels, have substantial technical complexity and therefore substantially higher product content and dollar value per vehicle. We have, over the last several years, been working with a number of military contractors and vehicle makers including DRS Technologies, AM General, BAE Systems, Boeing, General Dynamics and others, on prototype hybrid electric vehicles, high export power generators, electric auxiliaries, DC-to-DC converters and DC-to-AC inverters. Although this market has not yet emerged, we believe that it may begin to soon, driven by the availability of hybrid electric components in the commercial truck market that operate at similar power levels as those required by many military vehicles.

Marketing Channels and Sales

Based on the global aspect of the electrification market, UQM believes that opportunities exist on a global basis and we have developed a strategy to address markets in all regions. These regions include North America, Asia Pacific, Europe, and the Middle East. We believe each region has opportunities that lie within the markets that UQM has identified as areas of strategic growth for our company.

UQM engages in several sales channels where the markets differ based on the complexity of the product. These channels consist of:

- Direct Sales to Original Equipment Manufacturers ("OEM"). In this environment the account team works directly with designers and manufacturers of particular applications within the Automotive, Industrial and Commercial Truck and Bus marketplace to supply off the shelf as well as custom designed solutions to customers.
- Tier 1 channels, where the account team engages suppliers of OEMs. In this environment, UQM provides sub-systems to the Tier 1 suppliers from a Tier 2 position. UQM's technology is integrated and validated as a system and provided to the OEM as part of the Tier 1 solution.
- Vehicle Integrators - This marketing channel is characterized by the development of a relationship with companies that perform vehicle development activities for automobile companies worldwide. Many of these companies have substantial autonomy to source vehicle components at the earliest stages of a vehicle development program. As a result of our multi-year relationships supplying many of these companies with our products, we have been able to develop and foster within their organizations a confidence in the performance characteristics, ease of application and durability of our products that has led to additional early stage placements of our products in automakers vehicle development programs.
- Conferences and Symposiums also provide marketing channels for additional product offerings.

CODA Automotive Program

We have a ten year Supply Agreement with CODA Automotive to supply UQM PowerPhase Pro® electric propulsion systems for their all-electric passenger sedan that was recently introduced in California. The Supply Agreement provides a framework for CODA or CODA's manufacturing partners to purchase 20,000 electric propulsion systems from us over the first two years of the program. Under the terms of the Supply Agreement, CODA or CODA's manufacturing partner will issue blanket purchase orders covering their annual purchase requirements and issue thereunder noncancellable delivery releases against the blanket order. Our Supply Agreement with CODA also provides that if CODA or its manufacturing partners, if any, do not collectively purchase 15,000 units within the first two years following the launch of production, they will be required to make specific payments to us. In September 2011 we amended the Supply Agreement to permit the recovery of neodymium magnet costs above a benchmark price stated in the amendment.

CODA Automotive has announced that to date it has raised over \$300 million in capital to facilitate the execution of its business plan and is currently pursuing an additional \$150 million in equity capital. CODA has stated that it hopes to sell 10,000 to 14,000 vehicles in the first twelve months following the vehicle's introduction in March 2012.

The CODA all-electric sedan was developed by CODA's internal team of engineers working with multiple external engineering partners, including Porsche Engineering. The vehicle has a 31kW hour battery pack and has a base price of \$27,250 after applying a \$7,500 federal tax credit and a \$2,500 state tax credit from the State of California for qualifying buyers. Other states offer tax credits of up to \$7,500 per vehicle. To date, CODA has selected four dealers in the State of California and announced its plan to select a significant number of additional dealers across North America by the end of 2012. The CODA car is powered by a 100 kW UQM PowerPhase Pro® electric propulsion system, and carries an estimated vehicle range between charges of 88 miles on the EPA test cycle and CODA reports ranges of up to 125 miles are achievable depending on individual driving habits. The onboard charger plugs into a 110V or 220V outlet and can charge for a 40-mile commute in approximately two hours (full charge in less than six hours) at 220V. CODA advertises that the CODA sedan is backed by a three-year/36,000 mile warranty and an eight-year/100,000 mile battery warranty.

The CODA electric sedan chassis will be assembled and tested; incorporating the UQM® powertrain on an assembly line operated by Harbin HaFei Automobile Industry Group Co., Ltd. ("Haifei"), a wholly owned subsidiary of Chang An, one of China's largest automobile manufacturers. Final vehicle assembly and test is completed at CODA's U.S. factory in Benicia, California.

CODA has announced that the battery system for the CODA passenger car is being supplied by a joint venture between CODA Automotive and Tianjin Lishen Battery Co. ("Lishen"). Lishen is one of the world's largest manufacturers of lithium-ion cells.

In April 2012, CODA announced that it had signed a contract with Great Wall Motors Company ("Great Wall"), Baoding, China, to co-develop an all-electric electric vehicle intended to be the most affordable EV on the market, comparable to entry level internal combustion engine vehicles after incentives. Great Wall has approximately 42,000 employees and sold approximately 487,000 vehicles in 2011. The joint effort will blend CODA's battery technology and knowledge of the U.S. market with the expertise of one of China's fastest growing automotive producers. Under the arrangement, vehicles will be sub-assembled in Great Wall's manufacturing facilities in Baoding. Final assembly of vehicles destined for delivery in the U.S. will take place at CODA's facility in the U.S.

U.S. Department of Energy Stimulus Grant

We have been awarded a \$45,145,534 Grant from the DOE under the American Recovery and Reinvestment Act. The Grant provides funds to facilitate the manufacture and deployment of electric drive vehicles, batteries and electric drive vehicle components in the United States. We are one of seven component manufacturers selected for an award and the only small business under the component category. Pursuant to the terms of our Grant Agreement, the DOE will reimburse 50 percent of qualifying costs incurred for the purchase of facilities, tooling and manufacturing equipment, and for engineering expenditures related to product qualification and testing of our electric propulsion systems and other products. The period of the Grant is through January 12, 2015.

The \$45.1 million size of the Grant is based on the estimated cost of a project to implement high volume manufacturing operations provided in our application to the DOE under the Electric Drive Vehicle Battery and Component Manufacturing Initiative. Funding for qualifying project costs is currently limited to \$32 million until July 12, 2013, at which time we are required to provide the DOE with an updated total estimated cost of the project along with evidence of firm commitments for our 50 percent share of the total estimated cost of the project in excess of our currently accepted cost share match of \$32 million. If an extension or modification of this requirement has not occurred or all such funds have not been secured, we must submit, by such date, a funding plan to obtain the remainder of such funds, which is acceptable to the DOE, or the award may be terminated.

The Grant is also subject to our compliance with certain reporting requirements. As specified in the American Recovery and Reinvestment Act, we are required to use the Grant funds in a manner that maximizes job creation and economic benefits. The American Recovery and Reinvestment Act and the Grant Agreement impose minimum construction wages and labor standards for projects funded by the Grant and some sourcing restrictions.

If we dispose of assets acquired using Grant funding, we may be required to reimburse the DOE upon such sale date if the fair value of the asset on the date of disposition exceeds \$5,000. The amount of any such reimbursement shall be equal to 50 percent of the fair value of the asset on the date of disposition.

While UQM has exclusive patent ownership rights for any technology developed with Grant funds, we are required to grant the DOE a non-exclusive, non-transferable, paid-up license to use such technology.

The Grant has numerous benefits to the Company and its shareholders including: 1) substantially reducing the Company's cost of capital; 2) substantially mitigating the financial risk of productionizing our products and acquiring the facilities and equipment necessary to support volume production of our products; 3) substantially reducing our product qualification and testing costs; and 4) improving product margins on products manufactured on equipment subsidized by the Grant.

At March 31, 2012, we had received reimbursements from the DOE under the Grant totaling \$16.5 million of which \$8.9 million was for capital assets and \$7.6 million was reimbursements of product qualification and testing costs. We also had an amount receivable from the DOE at March 31, 2012 of \$280,674 of which \$37,774 represented reimbursement of capital asset purchases and \$242,900 was reimbursements for product qualification and testing costs incurred.

The application of Grant funds to eligible capital asset purchases under the Grant as of March 31, 2012 is as follows:

	<u>Purchase Cost</u>	<u>Grant Funding</u>	<u>Recorded Value</u>
Land	\$ 896,388	448,194	448,194
Building	9,865,371	4,932,685	4,932,686
Machinery and Equipment	<u>7,163,597</u>	<u>3,581,799</u>	<u>3,581,798</u>
	<u>\$ 17,925,356</u>	<u>8,962,678</u>	<u>8,962,678</u>

Manufacturing

It is our primary objective to become a major manufacturer of electric motor, generator and other power electronic products that incorporate our proprietary technology and to supply these products to electric, hybrid electric and fuel cell electric vehicle manufacturers and/or their Tier 1 suppliers. To this end, in December 2009 we acquired a 129,304 square foot facility on 15 acres together with 15 acres of adjacent vacant land in Longmont, Colorado to support our expected growth in manufacturing operations. We have installed and qualified two semi-automated production cells at this facility with a two shift production capacity of up to 40,000 units per year of our automotive 100 kW and 135 kW PowerPhase Pro® electric motor and motor controller. We expect to add additional production capacity in this facility coincident with future demand.

Over the last several years we have established a production engineering group with decades of manufacturing design and production experience, much of which is specific to the electric

motor or automotive industries. We have adopted the Advanced Product Quality Planning ("APQP") automotive procedures for the development and volume production of our products and we are continuing to expand our production engineering group coincident with the growth in our customer base and the number of customer programs we believe will proceed to full scale production. We are also upgrading our software systems and enhancing our internal processes in anticipation of potentially rapid growth in our production volumes.

We also have a production cell for the assembly of our larger frame size, higher power, lower volume prototype motors. The annual capacity of this cell is approximately 5,000 systems per shift per year.

We also manufacture a truck qualified DC-to-DC converter for Eaton Corporation as part of their hybrid electric power system for the heavy truck market, as well as for other electric and hybrid electric vehicle manufacturers. We have a dedicated manufacturing cell for these systems.

In order to ensure our cost competitiveness, we have adopted a manufacturing strategy for the near term of designing all product components and then sourcing these parts with quality suppliers. Final assembly, testing, pack-out and shipping of the product are performed at our Colorado facility. We have established relationships with many high-quality, low-cost suppliers, including a number of international companies. Future plans are to continue the development and introduction of more advanced and automated manufacturing systems which we believe will ensure our competitiveness in new and growing markets.

Our company is currently certified under the ISO 9001:2000 quality standards. Over the next several years we expect to qualify our operations under the more difficult TS 16949 standard for the automotive sector.

Product Development Activities

We recently completed the development of and introduced at the Electric Vehicle Symposium in Los Angeles our production-ready PowerPhase HD@ 220 electric propulsion system for the medium-duty commercial truck and bus markets. This system represents the highest peak power of any system we have developed at 220 kW (at 360 VDC) and is producible in higher volumes and at lower cost than our earlier system for these markets which was rated at 200 kW peak power. This unit was designed with emphasis on the "voice of the customer" and has been very well received worldwide.

We are also working on the next generation of PowerPhase Pro® products designed to be smaller, lighter weight, more energy efficient and producible at lower cost with equal or better performance than our current PowerPhase Pro® systems. Development targets include a reduction of 50 percent in the size of the motor controller.

We are also pursuing an advanced motor technology that eliminates rare-earth elements. The technology incorporates permanent magnets of an alternate chemistry, arranged in a unique way that maintains performance benefits. A patent application has been submitted to protect this innovation. UQM was also selected and awarded \$3 million by the DOE in a competitive solicitation to pursue this technology. This award was announced in August 2011 and is a three-year technology development program.

Our Opportunity

We have developed a range of products including electric propulsion motors, generators, power electronic controllers and other power electronic products that we believe are ideally suited to the growing markets for electric, hybrid electric and fuel cell electric vehicles.

We believe that the recent launch of high volume manufacturing of our PowerPhase Pro® 100 kW electric propulsion system for CODA Automotive gives us a substantial "first mover" advantage as a Tier 1 supplier to the clean vehicle market. Specifically, the introduction of our products that have been fully automotive qualified in commercial quantities will provide substantial economies of scale, permitting us to achieve production costs and pricing that will be difficult for others who have not launched similar high volume production to compete with. We expect that this pricing and product availability advantage will allow us to further expand the roster of automobile makers who select our propulsion systems for their future vehicle programs.

In addition to the passenger automobile market, vehicle makers of all types have been evaluating the potential of applying electric and hybrid electric technology to their vehicle platforms. Of these manufacturers, medium and heavy-duty truck and bus builders and military manufacturers have been the most active, driven by the performance and fuel economy advantages available from this technology, the need for large amounts of onboard and exportable power and new federal standards requiring fuel economy improvements of 10% to 20%. We believe that these industry developments signal the beginning of a potentially large-scale deployment of electric propulsion and related electronic products into markets beyond mass-market passenger automobiles. Should these products receive broad customer acceptance, as we expect they will, additional opportunities will likely develop over time for our company.

In the past, we have supplied our electric propulsion systems and generators to small niche developers of electrically powered vehicles or as part of technology development and assessment programs by the U.S. government, and larger commercial customers. However, over the last few years, we have supplied our propulsion systems to numerous international automotive manufacturers as part of their electric and hybrid electric vehicle development activities, including publicly announced fleet build or vehicle development programs with Audi, Saab and Rolls Royce. Should any of these automakers elect to utilize our products in future model launches, it would have a material impact on our future rate of growth.

We have invested substantial amounts of human resource and capital on establishing the manufacturing infrastructure to meet CODA requirements as well as the potential production requirements of our other existing and future customers. As the markets for our customers' clean vehicles expand, we expect to make additional investments in support of our strategy to aggressively introduce automotive certified products to satisfy our customers' requirements.

We also expect to experience potentially rapid growth in our revenue coincident with the introduction of electric products by our customers. In parallel to these activities in the automotive market, we expect to continue to pursue additional production opportunities for our proprietary technology in existing markets where the performance of our products can provide our customers with a competitive advantage in the markets they serve.

Business Segments

At the beginning of this fiscal year, we merged our wholly-owned subsidiary UQM Power Products, Inc. into UQM Technologies, Inc. As a result of this merger, the operations of each of these entities are no longer managed or reported upon to management separately, and accordingly, the Company is no longer presenting segment information in its financial statements.

In previous fiscal year we had two reportable segments: technology and power products. These reportable segments were strategic business units that offered different products and services. They were managed separately because each business required different business strategies. The technology segment encompassed our technology-based operations including core research to advance our technology, application and production engineering and product development and job shop production of prototype components. The power products segment encompassed the manufacture and sale of motors and electronic controllers.

Competition

All of the markets in which we operate are highly competitive and are characterized by rapid changes due to technological advances that can render existing technologies and products obsolete.

We develop advanced electric propulsion systems and components which we hope to market to vehicle Original Equipment Manufacturers ("OEMs") and their Tier 1 suppliers throughout the world for use in electric, hybrid electric, plug-in hybrid electric and fuel cell electric vehicles. In recent years, the market for hybrid electric automobiles has begun to emerge, led by the introduction and market success of hybrid electric vehicles manufactured by Toyota, Honda, Ford and General Motors and others. In the commercial vehicle markets, International Truck and Engine Corporation, Freightliner Trucks and Paccar offer hybrid electric medium-duty trucks and Caterpillar, Inc. produces a belt-less engine/electric tracked bulldozer. As a result, additional vehicle makers in both on-road and off-road markets are expected to develop and introduce a variety of hybrid electric and all-electric vehicles as the market acceptance of these vehicles continues to grow. We cannot assure that we will be able to compete successfully in this market or any other market that now exists or may develop in the future. There are numerous companies developing products that do or soon will compete with our systems. Some of these companies possess significantly greater financial, personnel and other resources than we do, including established supply arrangements and volume manufacturing operations. We believe our principal competitors include Toyota, Honda, General Motors, Hitachi, Toshiba, Siemens, Delphi, Dana, Enova, Continental, Magna, Remy, and Bosch.

Patents

We hold several groups or families of patents.

U.S. Patent No. 5,592,731 and U.S. Patent No. 5,382,859 relate to a stator for high-power density electric motors and generators, and a method of constructing the same. Corresponding applications have been filed and issued in several foreign countries.

U.S. Patent No. 5,677,605 discloses and claims a brushless motor and drive system using phase timing advancement. Corresponding applications have been filed and issued in several foreign countries.

U.S. Patent No. 5,982,063 discloses and claims an electric motor having an internal brake. Corresponding applications have been filed and issued in several foreign countries.

U.S. Patent No. 6,522,130 discloses and claims a method for controlling a brushless electric motor having a rotor, and relates to an accurate method for sensing rotor position and detecting rotational speed over a broad range of speeds. U.S. Patent No. 6,693,422 is a related U.S. patent entitled "Accurate Rotor Position Sensor and Method Using Magnet and Sensors Mounted Adjacent to the Magnet and Motor". Corresponding applications have been filed and issued in several foreign countries.

In 2007, we filed patent applications for a stator design in the United States, Canada, and Europe. The U.S. and Canadian applications have been granted as U.S. Patent No. 7,755,244 and CA 2,615,111, respectively. The European application is currently pending.

In 2007, we filed patent applications for a permanent magnet rotor geometry for permanent magnet electric motors in the United States, Canada, and Europe. The United States application issued as U.S. Patent No. 7,598,645. The Canadian application issued as CA 2,615,111. The European application is currently pending.

In January 2010, we filed a U.S. patent application for a distributed generation power system having an integrated electric utility meter and inverter system, including the physical design, placement and interconnection of the integrated electric utility and inverter system. Corresponding patent applications were filed in Europe and Canada. These patent applications were abandoned in fiscal 2012, and we recorded an impairment charge of \$27,845.

In November 2010, we filed a US patent application for a rotor for a permanent magnet electric machine. This application is pending. Corresponding patent applications have been filed in Europe and Canada.

In 2011 and 2012, we filed a U.S. and a PCT international application for a brushless PM machine construction enabling low coercivity magnets. These applications are still pending.

Trademarks

We have registered the letters "UQM" in the U.S. Patent and Trademark Office. Counterpart applications have been filed in numerous countries throughout the world, most of which have granted registrations or indicated them to be allowable. We own three U.S. Trademark Registrations for "UQM" (International Class 7 for power transducers, Class 12 for utility land vehicles, and Class 16 for publications). The foreign trademark registrations and applications include major markets where we are doing business or establishing business contacts.

We have also registered the trademark "POWERPHASE" which we use in conjunction with certain of our propulsion systems. The trademark is registered in the European Community and several other foreign countries.

Financial Information about Geographic Areas

The following summarizes total revenue by geographic area:

	<u>Fiscal Year Ended March 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
United States	7,774,946	6,544,485	6,909,152
Foreign Countries	<u>2,368,510</u>	<u>2,476,817</u>	<u>1,782,801</u>
	<u>10,143,456</u>	<u>9,021,302</u>	<u>8,691,953</u>

The geographic area revenue is derived from is based upon the country the purchase transaction originates in.

Backlog

We had unperformed service contracts from customers, which will provide future revenue upon completion totaling approximately \$1.4 million at April 30, 2012 versus \$0.3 million at April 30, 2011. Our order backlog for products at April 30, 2012 was approximately \$11.5 million versus \$3.4 million at April 30, 2011. Many orders are issued to us as blanket purchase orders subject to the issuance of subsequent release orders which direct the number and timing of actual deliveries. Substantially all of the backlog amounts at April 30, 2012 and 2011 are subject to amendment, modification or cancellation. We expect to complete all unperformed service contracts over the next ten months and ship motor and controller backlog products over the next twelve months.

Customers and Suppliers

We have historically derived significant revenue from a few key customers. Revenue from CODA totaled \$4,313,728, \$1,301,224 and \$573,250 for the fiscal years ended March 31, 2012, 2011 and 2010, respectively, representing 43 percent, 14 percent, and 7 percent of consolidated total revenue, respectively. This customer also represented 61 percent and 16 percent of consolidated total accounts receivable at March 31, 2012 and 2011, respectively. Inventories consisting of raw materials, work-in-process and finished goods for CODA were 76 percent and 38 percent of consolidated total inventories at March 31, 2012 and 2011, respectively.

Principal raw materials and components purchased by us include iron, steel, electronic components, magnets and copper wire. Most of these items are available from several suppliers. Certain components used by us are custom designs and if our current supplier no longer made them available to us, we could experience production delays.

Since the beginning of calendar year 2011 we have experienced significant price escalation in the cost of magnets used in our motors, which contain the rare-earth elements neodymium and dysprosium. These price increases have been driven primarily by changes in government policy in China, where our magnets are made. The price of neodymium and dysprosium have decreased materially from their peak price in the summer of 2011 according to data published by metal-pages.com, but are nevertheless, still well above the base line prices at the beginning of calendar year 2011. We have not experienced any disruption in supply. We may continue to experience volatile pricing over the next few years until mining operations outside of China increase or restart.

U.S. Government Contracts

Revenue derived from contracts with agencies of the U.S. Government and from subcontracts with U.S. Government prime contractors was \$684,489, or 7 percent of our consolidated total revenue, for the year ended March 31, 2012, \$1,112,307, or 12 percent of our consolidated total revenue for the year ended March 31, 2011, and \$2,488,321 or 29 percent of our consolidated total revenue for the year ended March 31, 2010. Accounts receivable from government-funded contracts represented 9 percent and 49 percent of total accounts receivable as of March 31, 2012 and 2011, respectively. Of these amounts, revenue derived from subcontracts with AM General LLC totaled \$55,724, \$792,508 and \$1,807,063 which represented 1 percent, 9 percent, and 21 percent of our consolidated total revenue for the fiscal years ended March 31, 2012, 2011 and 2010, respectively. This customer also represented 2 percent and nil of consolidated total accounts receivable at March 31, 2012 and 2011, respectively. We had insignificant inventories consisting of raw materials, work-in-process and finished goods for AM General LLC at both March 31, 2012 and 2011.

Some of our business with the U.S. Government was performed on a cost plus fixed fee basis. These contracts provide for reimbursement of costs, to the extent allocable and allowable under applicable regulations, and payment of a fee. Certain other contracts with the U.S. Government provide for the reimbursement of costs on a 50 percent cost-sharing basis and have not-to-exceed billing rates negotiated between the U.S. Government and us. Other U.S. Government business is performed under firm fixed price contracts. On "cost-share" and "firm fixed price" contracts, we can incur an actual loss in the performance thereof if incurred costs exceed the contract amount. All of our U.S. Government contracts are subject to modification or cancellation at the convenience of the Government.

We have a Grant for \$45,145,534 with the DOE under the American Recovery and Reinvestment Act. The Grant provides funds to facilitate the manufacture and deployment of electric drive vehicles, batteries and electric drive vehicle components in the United States. Pursuant to the terms of the Assistance Agreement, the DOE will reimburse us for 50 percent of qualifying costs incurred for the purchase of facilities, tooling and manufacturing equipment, and for engineering related to product qualification and testing of our electric propulsion systems and other products. The period of the Grant is through January 12, 2015.

Funding for qualifying project costs incurred is currently limited to \$32.0 million until July 12, 2013 at which time we are required to provide the DOE an updated total estimated cost of the project along with evidence of firm commitments for our 50 percent share of the total estimated cost of the project in excess of our currently accepted cost-share match of \$32.0 million. If an extension or modification of this requirement has not occurred or all such funds have not been secured, we must submit by such date, a funding plan to obtain the remainder of such funds, which is acceptable to the DOE, or the award may be terminated.

If we dispose of assets acquired using Grant funding, we may be required to reimburse the DOE upon such sale date if the fair value of the asset on the date of disposition exceeds \$5,000. The amount of any such reimbursement shall be equal to 50 percent of the fair value of the asset on the date of disposition.

At March 31, 2012 we had received reimbursements from the DOE under the Grant totaling \$16.5 million of which \$8.9 million was for capital assets and \$7.6 million was reimbursements of product qualification and testing costs. We also had an amount receivable from the DOE at March 31, 2012 of \$280,674 of which \$242,900 represented reimbursement for product qualification and testing costs incurred. The application of Grant funds to eligible capital asset purchases under the Grant as of March 31, 2012 is as follows:

	<u>Purchase Cost</u>	<u>Grant Funding</u>	<u>Recorded Value</u>
Land	\$ 896,388	448,194	448,194
Building	9,865,371	4,932,685	4,932,686
Machinery and Equipment	<u>7,163,597</u>	<u>3,581,799</u>	<u>3,581,798</u>
	<u>\$ 17,925,356</u>	<u>8,962,678</u>	<u>8,962,678</u>

The application of Grant funds to eligible capital assets purchases under the Grant as of March 31, 2011 is as follows:

	<u>Purchase Cost</u>	<u>Grant Funding</u>	<u>Recorded Value</u>
Land	\$ 896,388	448,194	448,194
Building	9,611,560	4,805,780	4,805,780
Machinery and Equipment	<u>5,437,965</u>	<u>2,718,982</u>	<u>2,718,983</u>

We also have a \$4.0 million program with the DOE to develop non-rare-earth magnet electric motors for use in electric and hybrid vehicles. The DOE is providing \$3.0 million of funding for this three year program and the Company is providing \$1.0 million of cost-share contribution. The objective of the program is to identify and evaluate magnet materials and technology that can deliver performance comparable to our rare-earth magnet motors, broaden our product portfolio, potentially lower magnet costs and limit our exposure to price and supply concerns associated with rare-earth magnets.

Employee and Labor Relations

As of April 30, 2012, we had 84 total employees, of whom 82 are full-time employees. We have entered into employment contracts with all of our executive officers. Two of these contracts expire on August 22, 2012, one agreement expires on August 31, 2015, one agreement expires on November 30, 2014 and one expires on May 31, 2015. None of our employees are covered by a collective bargaining agreement. We believe our relationship with employees has been generally satisfactory.

In addition to our full-time staff, we from time to time engage the services of outside consultants and contract employees to meet peak workload or specialized program requirements. We do not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Anyone seeking information about our business can receive copies of our FY2012 Annual Report on Form 10-K, Annual Report to Shareholders, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports and other documents, filed with the SEC at the public reference section of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. These documents also may be obtained, free of charge, by: contacting our Investor Relations office by e-mail at investor@uqm.com; by phone at (303) 682-4900; writing to UQM Technologies, Inc., Investor Relations, 4120 Specialty Place, Longmont, CO 80504-5400; or accessing our website at www.uqm.com. We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, available on our website as soon as reasonably practicable after we file or furnish the materials electronically with the SEC. To obtain any of this information, go to www.uqm.com, select "Investor Relations" and select the form you would like to access. Our website also includes our Audit Committee Charter, Governance Committee Charter and Code of Business Conduct and Ethics as well as the procedures for reporting a violation of business ethics. Information on our website does not constitute part of this Annual Report.

ITEM 1A . RISK FACTORS

[toc *](#)

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially affect our operations. The risks, uncertainties and other factors set forth below may cause our actual results, performances or achievements to be materially different from those expressed or implied by our forward-looking statements. If any of these risks or events occur, our business, financial condition or results of operations may be adversely affected.

We have incurred significant losses and may continue to do so.

We have incurred significant net losses as shown in the following tables:

	Fiscal Year Ended March 31,		
	2012	2011	2010
Net loss	\$ 4,928,520	\$ 1,992,358	\$ 4,140,872

As of March 31, 2012 we had an accumulated deficit of \$80,486,989.

In the future, we plan to make additional investments in product development, facilities and equipment and other costs related to the commercialization of our products. As a result, we expect to continue to incur net losses at least through March 31, 2013 and potentially beyond, although the level of our losses may decline as revenue from our Supply Agreement with CODA increases.

Our operating losses, anticipated capital expenditures and working capital requirements in the longer term may exceed our current cash balances.

Our net loss for the fiscal year ended March 31, 2012 was \$4,928,520 versus a net loss for the fiscal years ended March 31, 2011 and 2010 of \$1,992,358 and \$ 4,140,872 , respectively . At March 31, 2012, our cash and short-term investments totaled \$12,120,849. We expect our losses to continue through at least March 31, 2013 and potentially beyond, although the level of our losses may decline as revenue from our Supply Agreement with CODA increases. Our existing cash resources, together with funding expected from our ARRA grant should be sufficient to complete our business plan for at least the next eighteen months. Should those resources be insufficient, we may need to secure additional debt or equity funding, which may not be available on terms acceptable to us, if at all.

If we do not satisfy the terms of our U.S. Department of Energy grant, we may not receive all of the \$45.1 million grant we were awarded and may be required to return amounts already paid to us under the grant.

We have a \$45.1 million Grant under the American Recovery and Reinvestment Act's Electric Drive Vehicle Battery and Component Manufacturing Initiative with the U.S. Department of Energy. We have received funding of \$16.5 million under this Grant as of March 31, 2012. This Grant is subject to terms and conditions specified in the agreement between us and the DOE. We are required to make a cash investment on a dollar-for-dollar matching basis to receive funds under this Grant. If we are unable to match the total amount of the \$45.1 million Grant with funding from non-Federal sources, we will be unable to take advantage of the entire award, and could become ineligible for continued participation in the program. The reimbursement of qualified costs under the award is currently limited to \$32.0 million. On or before July 12, 2013, we are required to provide to the DOE an updated total estimated cost of the project along with firm commitments to fund our 50 percent share of the total estimated cost of the project above the \$32.0 million of matching funds we have previously received credit for. If an extension or modification of this requirement has not occurred or all such funds have not been secured, we must submit, by such date, a funding plan to obtain the remainder of such funds, which is acceptable to the DOE, or the Grant may be terminated. In addition, the award may be terminated at any time at the convenience of the government. Although we expect to satisfy the requirement in the Grant, we cannot assure that this requirement will be satisfied and the contract will not be terminated prior to receiving all of the proceeds.

CODA may not purchase from us all of the 20,000 systems provided for under its Supply Agreement.

We have executed a Supply Agreement with CODA that provides a framework for CODA, or its manufacturing partner, to purchase from us 20,000 electric propulsion systems for use in automobiles to be manufactured by CODA during the initial two-year term of the agreement. Under the terms of this agreement, CODA will issue blanket purchase orders covering their annual purchase requirements and specifying the timing of delivery for such units, with a portion of the delivery schedule considered to be "firm" and noncancellable. If CODA, or its manufacturing partner, does not purchase at least 15,000 units under the CODA Supply Agreement, CODA may be required to make specific payments to us. For example, if CODA is unsuccessful in the development of its electric automobile, CODA would not be obligated to purchase electric propulsion systems from us, but CODA would then be obligated to make the payments specified in the contract to us. While these specific payments would cover much of our capital costs in preparing to supply electric propulsion systems to CODA, the payments are substantially less than the amount we would receive for sales of systems under the Supply Agreement. In addition, CODA may not have adequate funds to make any such payments to us or may otherwise contest its obligation to pay, and as a result it is possible that we may never receive any such funds. CODA may also terminate the Supply Agreement for any number of reasons.

We may experience challenges in launching production of electric propulsion systems on the scale envisioned under the CODA Supply Agreement.

Although we have installed and qualified production lines and begun production on these lines, we have not ever produced electric propulsion systems on the scale necessary to fulfill our obligations under the CODA Supply Agreement. We also may need to hire additional personnel as production volumes for CODA increase. We may encounter difficulties and challenges in ramping-up our operations. If we are unable to successfully increase our production volumes coincident with CODA's delivery requirements we could breach our Supply Agreement. If any such difficulties are encountered during production launch it could have a material adverse effect on our financial condition and results of operations.

Our revenue is highly concentrated among a small number of customers.

A large percentage of our revenue is typically derived from a small number of customers, and we expect this trend to continue and intensify as production under the CODA Supply Agreement increases. CODA may become the source of a substantial portion of our revenue in at least the near-term. The magnitude of this revenue is dependent on CODA's ability to introduce and sell its passenger vehicle in commercial volumes.

Our customer arrangements generally are non-exclusive, have no long-term volume commitments and are often done on a purchase order basis. We cannot be certain that customers that have accounted for significant revenue in past periods will continue to purchase our products. Accordingly, our revenue and results of operations may vary substantially from period to period. We are also subject to credit risk associated with the concentration of our accounts receivable from our customers. If one or more of our significant customers were to cease doing business with us, significantly reduce or delay its purchases from us or fail to pay us on a timely basis, our business, financial condition and results of operations could be materially adversely affected.

Our business relies on third parties, whose success we cannot predict.

As a manufacturer of motors, generators, and other component parts, our business model depends on the ability of third parties in our industry to develop, produce and market products that include or are compatible with our technology and then to sell these products into the marketplace. Our ability to generate revenue depends significantly on the commercial success of our customers and partners. Failure of these third parties to achieve significant sales of products incorporating our products and fluctuations in the timing and volume of such sales could have a material adverse effect on our business, financial condition and results of operations.

Our electric propulsion systems use rare-earth minerals and unavailability or limited supply of these minerals could prevent us from manufacturing our products in production quantities or increase our costs.

Neodymium, a rare-earth mineral, is a key ingredient used in the production of magnets that are a component of our electric propulsion systems. We currently source our magnets from China, and China has indicated its intent to retain more of this mineral for the use of Chinese companies, rather than exporting it. Since the beginning of calendar 2011 we have experienced a significant price escalation in the cost of magnets used in our motors, which contain the rare-earth elements neodymium and dysprosium. The price escalation is primarily due to changes in government policy in China. Although prices have decreased materially since peaking in the summer of 2011 they are nevertheless, still well above the baseline prices at the beginning of calendar year 2011. We have amended our supply agreement with CODA to pass a substantial portion of our increased magnet purchase costs through to CODA in the form of a surcharge and have implemented a magnet surcharge for all of our other customers to recover these escalated costs. Although neodymium iron boron magnets are available from other sources, these alternative sources are currently more costly. Reduced availability of neodymium from China could adversely affect our ability to obtain magnets in sufficient quantities, in a timely manner, or at a commercially reasonable cost. In the event that China's actions cause us to seek alternate sources of supply for magnets, it could cause an increase in our production costs thereby reducing or eliminating our profit margin on electric propulsion systems if we are unable to pass the increase in our production costs on to our customers. Increasing prices to our customers due to escalating magnet costs may reduce demand for our motors and make it difficult or impossible to compete with other motor manufacturers whose motors do not use rare-earth minerals.

Some of our contracts can be cancelled with little or no notice and could restrict our ability to commercialize our technology.

Our contracts with government agencies are subject to the risk of termination at the convenience of the contracting agency and in some cases grant "march-in" rights to the government. March-in rights are the right of the United States government or the applicable government agency, under limited circumstances, to exercise a non-exclusive, royalty-free, irrevocable worldwide license to any technology developed under contracts funded by the government to facilitate commercialization of technology developed with government funding. March-in rights can be exercised if we fail to commercialize the developed technology. The exercise of march-in rights by the government or an agency of the government could restrict our ability to commercialize our technology.

Some of our orders for the future delivery of products are placed under blanket purchase orders which may be cancelled by our customers at any time. The amount payable to us, if any, upon cancellation by the customer varies by customer. Accordingly, we may not recognize as revenue all or any portion of the amount of outstanding order backlog we have reported.

We face intense competition and may be unable to compete successfully.

In developing electric motors for use in vehicles and other applications, we face competition from very large domestic and international companies, including the world's largest automobile manufacturers. Many of our competitors have far greater resources to apply to research and development efforts than we have, and they may independently develop motors that are technologically more advanced than ours. These competitors also have much greater experience in and resources for marketing their products. For these reasons, potential customers may choose to purchase electric motors from our competitors rather than from us. In addition, the U.S. government has awarded substantial financial grants under the stimulus bill to several large companies who compete with us. To the extent that some of these competitors received awards under the stimulus bill in amounts greater than we have, could adversely impact our ability to compete.

Our business depends, in part, on the expansion of the market for hybrid electric vehicles and the future introduction and growth of a market for all-electric vehicles.

Although our electric propulsion systems may be used in a wide variety of products, the market for electric and hybrid vehicles is fairly new. At the present time, batteries used to power electric motors have limited life and require several hours to charge, and charging stations for electric motors are not widely available. Electric and hybrid vehicles also tend to be priced higher than comparable gasoline-powered vehicles. As a result, consumers may experience concerns about driving range limitations, battery charging time and higher purchase costs of electric or hybrid automobiles. If consumer preferences shift to vehicles powered by other alternative methods, or if concerns about the availability of charging stations cannot be overcome, the market for all-electric cars, and therefore our electric propulsion systems, may be limited. In addition, our electric propulsion systems are incorporated in buses used for mass transit in several U.S. cities. If passenger traffic in these mass transit systems declines or government funding to transportation districts declines from current levels, demand for our products may also decrease.

The popularity of alternative fuel based vehicles and "green energy" initiatives are highly dependent on macro-economic conditions, including oil prices and the overall health of the

economy. When oil prices fall, interest in and resources allocated to the development of advanced technology vehicles and propulsion systems may diminish. Downturns in the world economy may also have a severe impact on the automotive industry, slowing the demand for vehicles generally and reducing consumers' willingness to pay more for environmentally friendly technology.

If our products do not achieve market acceptance, our business may not grow.

Although we believe our proprietary systems are suited for a wide-range of vehicle electrification applications, our business and financial plan relies heavily on the introduction of new products that have limited testing in the marketplace. We are currently making substantial investments in human resources, manufacturing facilities and equipment, production and application engineering, among other things, to ramp up our production capacity in order to capitalize on the anticipated expansion in demand for electric propulsion systems and generators in the automobile and light truck markets. Our sales of electric propulsion systems and generators in the automobile and light truck markets to date have consisted of limited quantities of preproduction evaluation and field test units. We are not certain that our existing products will achieve broad market acceptance, or that we will be able to develop new products or product enhancements that will achieve broad market acceptance.

Changes in environmental policies could hurt the market for our products.

The market for electric and other alternative fuel vehicles and equipment and the demand for our products are influenced, to a degree, by federal, state and local regulations relating to air quality, greenhouse gases and pollutants. These laws and regulations may change, which could result in transportation or equipment manufacturers abandoning or delaying their interest in electric or hybrid electric vehicles or equipment. In addition, a failure by authorities to enforce current laws and regulations or to adopt additional environmental laws or regulations could limit the demand for our products.

Although many governments have identified as a significant priority the development of alternative energy sources, governments may change their priorities, and any change they make could materially affect our revenue or the development of our products.

If we are unable to protect our patents and other proprietary technology, we will be unable to prevent third parties from using our technology, which would impair our competitiveness and ability to commercialize our products. In addition, the cost of enforcing our proprietary rights may be expensive and result in increased losses.

Our ability to compete effectively against other companies in our industry will depend, in part, on our ability to protect our proprietary technology. Although we have attempted to safeguard and maintain our proprietary rights, we do not know whether we have been or will be successful in doing so. We have historically pursued patent protection in the United States and a limited number of foreign countries where we believe significant markets for our products exist or where potentially significant competitors have operations. It is possible that a substantial market could develop in a country where we have not received patent protection and under such circumstances our proprietary products would not be afforded legal protection in these markets. Further, our competitors may independently develop or patent technologies that are substantially equivalent or superior to ours. We cannot assure that additional patents will be issued to us or, if they are issued, as to the scope of their protection. Patents granted may not provide meaningful protection from competitors. Even if a competitor's products were to infringe patents owned by us, it would be costly for us to pursue our rights in an enforcement action, it would divert funds and resources which otherwise could be used in our operations and we may not be successful in enforcing our intellectual property rights. In addition, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country where we may operate or sell our products in the future. If third parties assert technology infringement claims against us, the defense of the claims could involve significant legal costs and require our management to divert time and attention from our business operations. If we are unsuccessful in defending any claims of infringement, we may be forced to obtain licenses or to pay royalties to continue to use our technology. We may not be able to obtain any necessary licenses on commercially reasonable terms or at all. If we fail to obtain necessary licenses or other rights, or if these licenses are costly, our results of operations may suffer either from reductions in revenues through our inability to serve customers or from increases in costs to license third-party technologies.

Use of our motors in vehicles could subject us to product liability claims or product recalls, and product liability insurance claims could cause an increase in our insurance rates or could exceed our insurance limits, which could impair our financial condition, results of operations and liquidity.

The automotive industry experiences significant product liability claims. As a supplier of electric propulsion systems or other products to vehicle OEMs, we face an inherent business risk of exposure to product liability claims in the event that our products, or the equipment into which our products are incorporated, malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our systems or components caused an accident. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the award of damages. The sale of systems and components for the transportation industry entails a high risk of these claims, which may increase as our production and sales increase. In addition, we may be required to participate in recalls involving these systems if any of our systems prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices or the need to maintain good customer relationships.

We carry product liability insurance of \$10 million covering most of our products. If we were to experience a large insured loss, it might exceed our coverage limits, or our insurance carriers could decline to further cover us or raise our insurance rates to unacceptable levels, any of which could impair our financial position and results of operations. Any product liability claim brought against us also could have a material adverse effect on our reputation.

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

We may be subject to warranty claims for defects or alleged defects in our products, and the risk of such claims arising will increase as our production and sales increase. In addition, in response to consumer demand, vehicle manufacturers have been providing, and may continue to provide, increasingly longer warranty periods for their products. As a consequence, these manufacturers may require their suppliers, such as us, to provide correspondingly longer product warranties. As a result, we could incur substantially greater warranty claims in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

toc *

None.

ITEM 2. PROPERTIES

toc *

We own our offices and manufacturing facilities and believe these facilities to be well maintained, adequately insured and suitable for their present and intended uses. Information concerning our facilities as of March 31, 2012 is set forth in the table below:

Ownership or			
Location	Square Feet	Expiration Date of Lease	Use

Longmont, Colorado	129,304	Own	Manufacturing, laboratories and offices
Frederick, Colorado ⁽¹⁾	28,000	Own	Manufacturing, laboratories and offices

(1) This facility has been listed for sale and is classified on the company's financial statements as a current asset held for sale

ITEM 3. LEGAL PROCEEDINGS

toc *

Litigation

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, and based on current available information, the ultimate disposition of these matters is not expected to have a material adverse effect on our financial position, results of operations or cash flow.

ITEM 4. MINE SAFETY DISCLOSURES

toc *

Not applicable.

PART II

toc *

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

toc *

Our common stock trades on the NYSE MKT (formerly called NYSE Amex), Chicago, Pacific Stock, Frankfurt, Berlin and Stuttgart Stock Exchanges. The high and low trade prices, by fiscal quarter, as reported by the NYSE MKT Stock Exchange for the last two fiscal years are as follows:

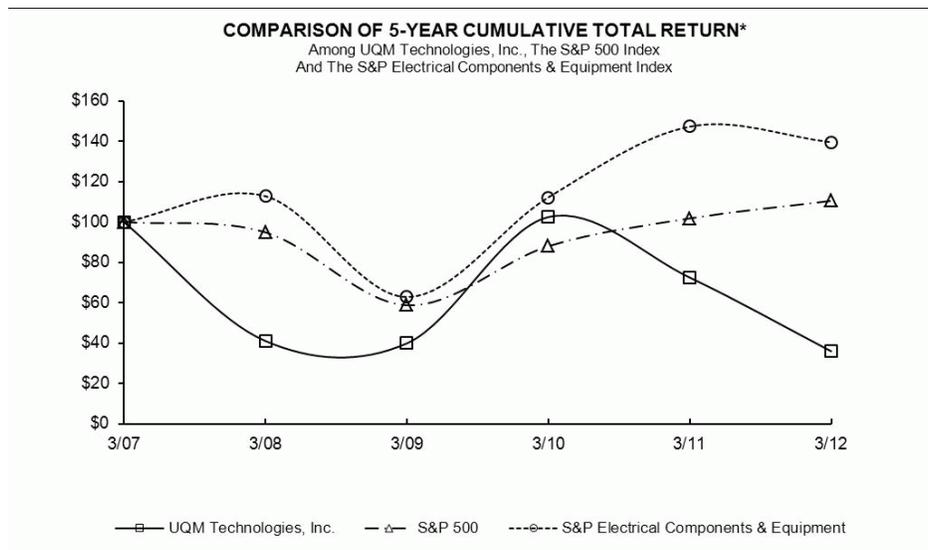
<u>2012</u>	<u>High</u>	<u>Low</u>
Fourth Quarter	\$1.90	\$1.37
Third Quarter	\$2.19	\$1.28
Second Quarter	\$2.41	\$1.54
First Quarter	\$3.15	\$2.01
<u>2011</u>	<u>High</u>	<u>Low</u>
Fourth Quarter	\$3.83	\$2.22
Third Quarter	\$2.85	\$1.89
Second Quarter	\$4.19	\$2.06
First Quarter	\$4.64	\$3.10

On May 21, 2012 the closing price of our common stock, as reported on the NYSE MKT, was \$1.24 per share and there were 641 holders of record of our common stock.

We have not paid any cash dividends on our common stock since inception and we intend for the foreseeable future to retain any earnings to finance the growth of our business. Future dividend policy will be determined by the Board of Directors based upon consideration of our earnings, capital needs and other factors then relevant.

PERFORMANCE GRAPH ²

The following graph represents the yearly percentage change in the cumulative total return on the common stock of UQM Technologies, Inc., the group of companies comprising the S&P Electrical Equipment Index, and those companies comprising the S&P 500 Index for the five year period from 2008 through 2012:



	<u>3/07</u>	<u>3/08</u>	<u>3/09</u>	<u>3/10</u>	<u>3/11</u>	<u>3/12</u>
UQM Technologies, Inc.	100.00	41.12	39.90	102.43	72.51	36.01
S&P 500	100.00	94.92	58.77	88.02	101.79	110.48
S&P Electrical Components & Equipment	100.00	112.80	62.90	112.18	147.25	139.52

*\$100 invested on 3/31/07 in stock or index, including reinvestment of dividends

Fiscal year ending March 31.

² The stock price performance graph depicted is not "soliciting material," is not deemed "filed" with the SEC, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation contained in such filing.

ITEM 6. SELECTED FINANCIAL DATA

toc *

The selected consolidated financial data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this document.

		UQM Technologies, Inc.				
		Selected Consolidated Financial Data				
		Years Ended March 31,				
		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contract services revenue	\$	785,068	608,204	1,384,599	2,717,246	2,591,939
Product sales	\$	9,358,388	8,413,098	7,307,354	6,011,065	4,916,383
Loss before other income						
(expense)	\$	(4,953,336)	(2,349,174)	(4,201,091)	(4,479,743)	(4,995,242)
Net loss	\$	(4,928,520)	(1,992,358)	(4,140,872)	(4,402,019)	(4,586,105)
Net loss per common share -						
basic and diluted	\$	(0.14)	(0.06)	(0.13)	(0.17)	(0.18)

Total assets	\$ 39,655,601	41,803,920	42,682,573	12,422,832	16,402,546
Long-term obligations ⁽¹⁾	\$ 715,107	1,316,372	1,155,416	1,490,472	1,520,798
Cash dividend declared per common share	\$ -	-	-	-	-

(1) Includes current portion of long-term obligations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

toc *

This Report contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These statements appear in a number of places in this Report and include statements regarding our plans, beliefs or current expectations; including those plans, beliefs and expectations of our officers and directors with respect to, among other things, orders to be received under our Supply Agreement with CODA, future financial results and the continued growth of the electric-powered vehicle industry. Important Risk Factors that could cause actual results to differ from those contained in the forward-looking statements are listed above in Part I, Item 1A. Risk Factors.

Introduction

We generate revenue from two principal activities: 1) research, development and application engineering services that are paid for by our customers; and 2) the sale of motors, generators and electronic controls. The sources of engineering revenue typically vary from year to year and individual projects may vary substantially in their periods of performance and aggregate dollar value. Our product sales consist of both prototype low volume sales, which are generally sold to a broad range of customers, and annually recurring higher volume production. During the fiscal year ended March 31, 2012 our product sales increased 11.2 percent to \$9,358,388, driven primarily by an increase in demand for propulsion systems.

In 2010, we entered into a ten year Supply Agreement with CODA Automotive to supply our PowerPhase Pro® 100 kW electric propulsion systems for CODA's all-electric four-door sedan. Our Supply Agreement with CODA also provides that if CODA or its manufacturing partners, if any, do not collectively purchase 15,000 units within the first two years following the launch of production, they will be required to make specific payments to us. In September 2011 we amended the Supply Agreement to permit the recovery of neodymium magnet costs above a benchmark price stated in the amendment.

In October 2011, we launched volume production of this system and began shipments to CODA. In March 2012, CODA began selling its all-electric passenger car to fleets and consumers in the State of California through its recently established dealer network. To date, CODA has established five dealers in California and has announced its intention to establish an additional 40 dealers in 25 cities across the United States by the end of calendar year 2012. CODA has also recently completed an agreement with Great Wall Motors Company, Baoding, China to co-develop an all-electric vehicle for worldwide distribution. Great Wall is one of China's fastest growing automobile manufacturers in 2011 with 487,000 vehicle sold. Under this arrangement Great Wall and CODA intend to co-develop and introduce the most affordable EV on the market, comparable to entry-level internal combustion engine vehicles after incentives.

CODA has stated that it hopes to sell between 10,000 and 14,000 vehicles in the first year following introduction of the vehicle. If CODA achieves their sales objectives we expect our revenue from the sale of propulsion systems to CODA and our working capital requirements to increase materially.

We also supply electric propulsion systems to Proterra, a developer and manufacturer of all-electric composite transit buses and Electric Vehicles International ("EVI"), a developer and manufacturer of all-electric medium-duty delivery trucks. EVI recently announced that they have received an order from UPS for 100 all-electric delivery vans powered by our electric propulsion systems, the majority of which are expected to be delivered in calendar year 2012. We are also supplying an automotive qualified DC-to-DC converter to Eaton Corporation, which is used onboard medium and heavy-duty hybrid trucks sold by Freightliner, International and Paccar.

Our electric propulsion systems are being used in several development vehicles including the Audi A1 e-tron all-electric car and the Rolls Royce all-electric 102EX Phantom car. In addition to these programs, the Company is supplying its electric propulsion systems and generators to numerous other international automakers and entrepreneurial automobile developers as part of their HEV, PHEV and EV vehicle development programs.

We have a \$45.1 million Grant from the DOE under the American Recovery and Reinvestment Act to accelerate the manufacturing and deployment of electric vehicles, batteries and components in the United States. The Grant provides for a 50 percent cost-share by the Company. Capital expenditures for facilities, tooling and manufacturing equipment and the qualification and testing of products associated with the launch of volume production for CODA, Proterra, EVI and other customers are eligible for reimbursement under the DOE program. We recorded reimbursements of \$8.9 million under the DOE Grant through March 31, 2012 for capital assets acquired, which were recorded as a reduction in the cost basis of the assets acquired. We also recorded reimbursements of product qualification and testing costs under the Grant through March 31, 2012 of \$7.8 million. In April 2012 we amended this contract to extend the period of performance by two years to January 12, 2015 and to extend the date for demonstrating our ability to provide additional cost-sharing funds until July 12, 2013. These amendments will allow us additional time to automotive qualify and commercialize additional products and the next generation of our existing products for the expanding markets for clean vehicles.

We are also pursuing an advanced motor technology that eliminates rare-earth elements. The technology incorporates permanent magnets of an alternate chemistry, arranged in a unique way that maintains performance benefits. A patent application has been submitted to protect this innovation. UQM was also selected and awarded \$3 million by the DOE in a competitive solicitation to pursue this technology. This award was announced in August 2011 and is a three-year technology development program.

We have developed and recently introduced at Electric Vehicle Symposium 26 a production qualified and higher power version of our larger frame size motor, the PowerPhase HD® 220 for the medium-duty truck and bus markets. This system produces 220 kW of peak power (at 360 VDC) in a smaller more cost effective package. We have also begun work on the next generation PowerPhase Pro® system for the automotive market. The objective of this program is to introduce a higher performance electric propulsion system that has increased efficiency over a broader operating range, a smaller package size and reduced costs.

Our former facility in Frederick, Colorado is currently listed for sale with a commercial broker. As a result, the carrying value of the facility has been classified as a current asset and listed under the caption facility held for sale.

We expect demand for our electric propulsion system and generator products to remain strong for the foreseeable future as vehicle makers continue to focus on the development and introduction of electric and hybrid electric vehicles as part of the evolution of the global automotive industry to provide a broader selection of highly fuel efficient vehicles to consumers. This demand is due, in part, to an expansion in the number of all-electric and hybrid electric vehicle platforms being developed for potential introduction in the passenger automobile market, the amount of government grants and loans available to encourage the development and introduction of clean vehicles, tax incentives to purchasers of these vehicles, progressively

more challenging CAFE and global carbon dioxide emission regulations, and a desire on the part of the global automotive industry to provide a broader selection of highly fuel efficient vehicles.

Product sales revenue for the fiscal year ended March 31, 2012 increased 11.2 percent to \$9,358,388 versus \$8,413,098 last fiscal year. The increase is primarily due to increased propulsion system shipments to CODA under our Supply Agreement partially offset by decreased levels of prototype propulsion system sales.

Revenue from funded engineering activities for the fiscal year ended March 31, 2012 increased to \$785,068 versus \$608,204 last fiscal year. The increase is primarily attributable to increased levels of customer funded engineering activities.

Gross profit margins on product sales for the fiscal year increased to 28.8 percent versus 27.6 percent last fiscal year, due to a more favorable product mix, improved overhead absorption and lower manufacturing burden arising from a change in the method of allocating costs associated with excess facility capacity. Gross profit contribution dollars increased to \$2,979,995 versus \$2,392,703 last fiscal year.

Net loss for the fiscal year ended March 31, 2012 increased to \$4,928,520, or \$0.14 per common share on consolidated total revenue of \$10,143,456, versus a net loss of \$1,992,358, or \$0.06 per common share on consolidated total revenue of \$9,021,302 for the previous fiscal year. The increase in current year net loss is primarily attributable to the reimbursement of prior period production engineering costs of \$1,546,446 in the prior fiscal year under the DOE Grant which increased the reimbursement percentage for that fiscal year to 113 percent versus 63 percent for the current fiscal year, a recovery from a bankruptcy proceeding during the prior fiscal year of \$265,474 and higher levels of selling, general and administrative expenses during the fiscal year ended March 31, 2012 due primarily to recruiting costs and the addition of a Vice President of Sales and Business Development to our executive team.

Our liquidity throughout the fiscal year was sufficient to meet our operating requirements. At March 31, 2012, we had cash and short-term investments totaling \$12,120,849. Net cash used in operating activities for the fiscal year was \$11,414,137 versus \$2,284,396 last fiscal year due primarily to planned increases in inventory levels associated with the launch of production for CODA. Capital expenditures, net of reimbursements from the DOE for the fiscal year were \$645,603 versus \$3,652,569 last fiscal year.

Financial Condition

Cash and cash equivalents and short-term investments at March 31, 2012 were \$12,120,849 and working capital (the excess of current assets over current liabilities) was \$25,025,517 compared with \$24,211,275 and \$27,413,664, respectively, at March 31, 2011. The decrease in cash and short-term investments is primarily attributable to operating losses, higher levels of inventories, accounts receivables and capital expenditures partially offset by higher levels of accounts payable and other current liabilities. The decrease in working capital is primarily attributable to operating losses and increased levels of other current liabilities which were partially offset by higher levels of accounts receivables.

Accounts receivable increased \$1,402,063 to \$4,929,117 at March 31, 2012 from \$3,527,054 at March 31, 2011. The increase is primarily attributable to higher levels of billings under our purchase and supply agreement with CODA. Substantially all of our customers are large well-established companies of high credit quality. Our sales are conducted through acceptance of customer purchase orders or in some cases through supply agreements. For credit qualified customers our standard terms are net 30 days. For international customers and customers without an adequate credit rating our typical terms are irrevocable letter of credit or cash payment in advance of delivery. During the year ended March 31, 2012, our customer Saab filed for bankruptcy protection. As a result, we had an allowance for bad debts of \$127,697 at March 31, 2012 representing approximately 90 percent of the amount due from Saab. No allowance for bad debts was deemed necessary at March 31, 2011.

Costs and estimated earnings on uncompleted contracts decreased to \$78,376 at March 31, 2012 versus \$126,775 at March 31, 2011. The decrease is due to more favorable billing terms on certain contracts in process at March 31, 2012 versus March 31, 2011. Estimated earnings on contracts in process decreased to \$380,713 or 24.0 percent of contracts in process of \$1,587,499 at March 31, 2012 compared to estimated earnings on contracts in process of \$424,184 or 9.4 percent of contracts in process of \$4,530,042 at March 31, 2011. The decrease in estimated earnings is attributable to lower levels of funded engineering contracts in process partially offset by higher expected margin on certain contracts in process at March 31, 2012.

Inventories increased \$8,350,707 to \$10,564,148 at March 31, 2012 as compared to \$2,213,441 at March 31, 2011 principally due to increased levels of raw materials and finished goods inventories. Raw materials, work-in-process and finished goods inventory increased \$5,420,316, \$321,956 and \$2,608,435, respectively, principally due to the ramping up of production for CODA.

Prepaid expenses and other current assets increased to \$556,592 at March 31, 2012 from \$367,154 at March 31, 2011 primarily due to higher levels of prepayments on raw material inventories outstanding at the end of the current fiscal year versus the prior fiscal year end.

We invested \$2,132,593 for the acquisition of property and equipment during the fiscal year before reimbursements from the DOE Grant compared to \$7,388,288 during the fiscal year ended March 31, 2011. The decrease in gross capital expenditures is primarily attributable to reduced renovation costs on our facility and decreased acquisitions of equipment this year reflecting the completion of the installation of our volume production lines during the prior fiscal year.

Patent costs decreased \$41,255 to \$222,836 at March 31, 2012 as compared to \$264,091 at March 31, 2011 due to systematic amortization of patent issuance costs and the impairment of a patent application during the year, partially offset by the costs associated with the filing and pursuit of new patent applications.

Trademark costs decreased \$4,487 to \$113,844 at March 31, 2012 as compared to \$118,331 at March 31, 2011 due to systematic amortization of trademark issuance costs.

Other assets decreased \$133,259 to \$90,105 at March 31, 2012 from \$223,364 at March 31, 2011 due to lower levels of prepayments on capital equipment purchases outstanding at the end of the current fiscal year versus the prior fiscal year end.

Accounts payable increased \$983,110 to \$2,356,513 at March 31, 2012 from \$1,373,403 at March 31, 2011, primarily due to increased levels of inventory purchases offset by lower levels of capital asset purchases and reduced outstanding construction draws associated with the renovation of our facility at the end of the prior fiscal year.

Other current liabilities increased \$1,425,395 to \$2,329,101 at March 31, 2012 from \$903,706 at March 31, 2011. The increase is primarily attributable to deferred revenue arising from our magnet purchase agreement with CODA and higher levels of customer deposits outstanding at March 31, 2012.

Short-term deferred compensation under executive employment agreements decreased \$587,193 to \$152,007 at March 31, 2012 versus \$739,200 at March 31, 2011 reflecting a retirement payment made to the Company's former CEO during the first quarter of the fiscal year, partially offset by severance obligations due to our former Senior Vice President of Operations under the terms of his employment agreement.

Billings in excess of costs and estimated earnings on uncompleted contracts decreased \$8,525 to \$7,201 at March 31, 2012 from \$15,726 at March 31, 2011 reflecting decreased levels of billings on certain engineering contracts in process at the end of the fiscal year ended March 31, 2012 in advance of the performance of the associated work versus the prior fiscal year.

Long-term deferred compensation under executive employment agreements decreased \$14,072 to \$563,100 at March 31, 2012 from \$577,172 at March 31, 2011 reflecting the reduction of estimated future severance obligations due to the departure of our Senior Vice President of Operations which were partially offset by periodic accruals of future severance obligations under executive employment agreements.

Common stock and additional paid-in capital increased to \$363,562 and \$114,371,106, respectively, at March 31, 2012 compared to \$362,133 and \$113,391,049 at March 31, 2011. The increase in common stock and additional paid-in capital was primarily attributable to the expensing of non-cash share-based payments associated with equity grants under our stock bonus and equity incentive plans and share issuances under our employee stock purchase plan and stock bonus plan.

Results of Operations

Operations for the fiscal year ended March 31, 2012, resulted in a net loss of \$4,928,520, or \$0.14 per common share, compared to a net loss of \$1,992,358, or \$0.06 per common share, and \$4,140,872, or \$0.13 per common share, for the fiscal years ended March 31, 2011 and 2010, respectively. The increase in current year net loss is primarily attributable to the reimbursement of prior period production engineering costs of \$1,546,446 in the prior fiscal year under the DOE Grant, a recovery from a bankruptcy proceeding during the prior fiscal year of \$265,474 and higher levels of selling, general and administrative expenses due primarily to recruiting costs and the addition of a Vice President of Sales and Business Development to our executive team.

Revenue from contract services increased \$176,864, or 29.1 percent, to \$785,068 for the fiscal year ended March 31, 2012 versus \$608,204 for the fiscal year ended March 31, 2011. The increase is primarily attributable to increased levels of customer funded engineering activities. Revenue from contract services decreased to \$608,204 for the fiscal year ended March 31, 2011 compared to \$1,384,599 for the fiscal year ended March 31, 2010. The decrease is primarily attributable to lower levels of funded development programs and the application of engineering resources from the contract services group to support production engineering, low volume production and internally funded research and development activities.

Product sales this fiscal year increased 11.2 percent to \$9,358,388 compared to \$8,413,098 for the fiscal year ended March 31, 2011. The increase is primarily due to increased propulsion system shipments to CODA under our Supply Agreement partially offset by decreased levels of prototype propulsion system sales. Product sales for the fiscal year ended March 31, 2011 increased 15.1 percent to \$8,413,098 compared to \$7,307,354 for the fiscal year ended March 31, 2010. The increase was primarily attributable to shipments of propulsion systems under the CODA, Proterra and EVI supply agreements and shipments of propulsion systems under a fleet build program with Audi.

Gross profit margins on contract services increased to 36.3 percent this fiscal year compared to 11.0 percent for the fiscal year ended March 31, 2011 primarily due to higher expected margins on certain contracts in process at March 31, 2012. Gross profit margins on contract services decreased to 11.0 percent fiscal year ended March 31, 2011 compared to 35.5 percent for the fiscal year ended March 31, 2010 due to reduced overhead absorption and higher incurred costs than planned on certain engineering contracts in process. Gross profit margins on product sales this fiscal year increased to 28.8 percent compared to 27.6 percent for fiscal 2011. The increase is primarily due to a more favorable product mix, improved overhead absorption and lower manufacturing burden arising from a change in the method of allocating costs associated with excess facility capacity. Gross profit margins on product sales for the fiscal year ended March 31, 2011 decreased to 27.6 percent compared to 30.5 percent for fiscal 2010. The decrease is primarily due to lower margins on pre-production units shipped to CODA.

Research and development expenditures for the fiscal year ended March 31, 2012 were \$37,128 compared to \$292,865 and \$576,341 for the fiscal years ended March 31, 2011 and 2010, respectively. The decrease in research and development expenditures for the fiscal year ended March 31, 2012 compared to the prior fiscal year was primarily due to reduced levels of internally funded and cost-sharing programs. The decrease in research and development expenditures for the fiscal year ended March 31, 2011 compared to the prior fiscal year was primarily due to reduced levels of internally funded programs.

Production engineering costs were \$6,014,868 for the fiscal year ended March 31, 2012 versus \$3,536,287 and \$2,908,334 for the prior two fiscal years. The increase for the current fiscal year versus fiscal year 2011 is primarily attributable to the utilization of engineering resources from our contract services group, and expansion of the production engineering group and its activities in preparation for the launch of higher volume manufacturing operations for CODA, development of our next generation PowerPhase Pro® propulsion systems for the passenger automobile market and increased product qualification and testing activities on our PowerPhase HD® 220 system for the truck and bus markets. The increase for the fiscal year ended March 31, 2011 versus fiscal 2010 was primarily attributable to the utilization of engineering resources from our contract services group, and expansion of the production engineering group and its activities in preparation for the launch of higher volume manufacturing operations for CODA.

Reimbursement of costs under the DOE Grant were \$3,794,324 versus \$3,988,655 and zero for each of the two prior fiscal years, respectively. Last fiscal year the Company satisfied various conditions of the Grant allowing for the recognition and reimbursement of all product qualification and testing costs incurred between August 5, 2009 and September 30, 2010. As a result, during the fiscal year ended March 31, 2011 we recorded reimbursements of \$1,546,446 for product qualification and testing costs incurred in the prior fiscal year. Excluding this amount, reimbursements for the fiscal year ended March 31, 2012 increased \$1,352,115 versus the prior fiscal year reflecting increased levels of reimbursable product qualification and testing costs.

Selling, general and administrative expenses this fiscal year were \$5,678,797 compared to \$4,884,373 and \$3,433,549 for the fiscal years ended March 31, 2011 and 2010, respectively. The increase this year is attributable to increases in salary and benefits expenses associated with an expansion in our administrative staff and executive team, higher levels of accounting fees, the establishment of an allowance for bad debts related to the Saab bankruptcy filing and increased recruiting and general insurance costs partially offset by decreases in non-cash equity based compensation and marketing expenses. The increase for fiscal 2011 versus 2010 is primarily attributable to higher levels of annual cash and non-cash incentive compensation grants, costs arising from the recruitment and relocation of a new Chief Executive Officer and moving expenses associated with our relocation to a new facility.

Interest income decreased to \$22,805 for the current fiscal year compared to \$91,342 and \$64,916 for the fiscal years ended March 31, 2011 and 2010, respectively. The decrease for fiscal 2012 versus fiscal 2011 is attributable to lower invested balances and lower yields during the fiscal year ended March 31, 2012. The increase for fiscal 2011 versus fiscal 2010 is attributable to higher yields on invested balances due to a greater mix of investments with a longer period to maturity.

Interest expense was zero for the year ended March 31, 2012 compared to zero and \$15,697 for the fiscal years ended March 31, 2011 and 2010, respectively. The decrease for fiscal 2012 and 2011 versus fiscal 2010 is due to the payoff of the mortgage on the company's former facility during the fiscal year ended March 31, 2010.

Other income for the fiscal year ended March 31, 2012 was \$2,011 versus \$265,474 and \$11,000 for the fiscal years ended March 31, 2011 and 2010, respectively. The decrease this fiscal year is attributable to a recovery received from a bankruptcy proceeding during the fiscal year ended March 31, 2011.

Liquidity and Capital Resources

Our cash balances and liquidity throughout the fiscal year ended March 31, 2012 were adequate to meet operating needs. At March 31, 2012, we had cash and short-term investments of \$12,120,849 and working capital (the excess of current assets over current liabilities) of \$25,025,517 compared to \$24,211,275 and \$27,413,664 at March 31, 2011, respectively.

For the year ended March 31, 2012, net cash used in operating activities was \$11,414,137 compared to net cash used in operating activities of \$2,284,396 and \$2,428,007 for the years ended March 31, 2011 and 2010, respectively. The increase in cash used in operating activities this fiscal year is primarily attributable to increased levels of inventory and accounts receivable principally associated with the launch of volume production for CODA and higher operating losses, partially offset by higher levels of accounts payable and other current liabilities. The decrease in cash used for the year ended March 31, 2011 is primarily attributable to lower operating losses, offset by higher levels of accounts receivable and inventories at the end of the fiscal year.

Net cash provided by investing activities for the fiscal year ended March 31, 2012 was \$7,124,741 compared to cash provided by investing activities of \$475,688 for the previous fiscal year and cash used in investing activities of \$14,793,339 for fiscal 2010. The increase in the fiscal year ended March 31, 2012 is due to increased net maturities of short-term investments and a decrease in the amount of capital expenditures, net of reimbursements under our DOE Grant. The increase in cash provided by investing activities for fiscal 2011 versus fiscal 2010 is due to reimbursements received from the DOE under the Grant, higher levels of investment maturities and reduced levels of capital expenditures.

Net cash provided by financing activities was \$48,584 for the fiscal year ended March 31, 2012 versus cash used in financing activities of \$52,140 and cash provided by financing activities of \$32,458,947 for the fiscal years ended March 31, 2011 and 2010, respectively. The decrease in cash provided in fiscal 2012 versus fiscal 2010 and the decrease in cash provided in fiscal 2011 versus fiscal 2010 and is primarily attributable to the completion of a follow-on public offering in the third quarter of fiscal 2010 which resulted in cash proceeds of \$31,664,373.

We expect to fund our operations over the next year from existing cash and short-term investment balances and from available bank financing, if any. We may need to invest substantially greater financial resources during fiscal 2013 on the commercialization of our products in the automotive market, including a significant increase in human resources, and increased expenditures for equipment, tooling and facilities. These capital requirements may be substantially reduced by funding available under our DOE Grant, which provides reimbursement of 50 percent of qualified capital expenditures and product qualification and testing costs. We expect our working capital requirements to increase further if CODA achieves their annual vehicle sales target of 10,000 vehicles. We believe we have sufficient cash resources to meet our working capital requirements, including those we expect to arise from higher production volumes for CODA, and to fund our operations for at least the next eighteen months.

We expect to manage our operations and working capital requirements to minimize the future level of operating losses and working capital usage consistent with the execution of our business plan, although it is possible that with higher than expected growth next year and beyond, our working capital requirements could consume a substantial portion of our cash reserves at March 31, 2012. If our existing financial resources are not sufficient to execute our business plan, we may issue equity or debt securities in the future, although we cannot assure that we will be able to secure additional capital should it be required to implement our current business plan. In the event financing or equity capital to fund future growth is not available on terms acceptable to us, or at all, we will modify our strategy to align our operation with then available financial resources.

Contractual Obligations

The following table presents information about our contractual obligations and commitments as of March 31, 2012:

	Payments due by					
	Period					
	Less Than				More than	
Total	1 Year	2 - 3 Years	4 - 5 Years	5 Years		
Purchase obligations	15,050,500	15,050,500	-	-	-	
Executive employment agreements ⁽¹⁾		<u>152,007</u>	<u>510,000</u>	<u>-</u>	<u>53,100</u>	
	<u>715,107</u>					
Total		<u>15,202,507</u>	<u>510,000</u>	<u>-</u>	<u>53,100</u>	
	<u>15,765,607</u>					

(1) Includes severance pay obligations under executive employment agreements contingently payable upon six months' notice by five officers of the company, but not annual cash compensation under the agreements.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the dollar values reported in the consolidated financial statements and accompanying notes. Note 1 to the consolidated financial statements describes the significant accounting policies and methods used in preparation of the consolidated financial statements. Estimates are used for, but not limited to, allowance for doubtful accounts receivables, costs to complete contracts, the recoverability of inventories and the fair value of financial and long-lived assets. Actual results could differ materially from these estimates. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in preparation of the consolidated financial statements.

Accounts Receivable

Our trade accounts receivable are subject to credit risks associated with the financial condition of our customers and their liquidity. We evaluate all customers periodically to assess their financial condition and liquidity and set appropriate credit limits based on this analysis. As a result, the collectability of accounts receivable may change due to changing general economic conditions and factors associated with each customer's particular business. Because substantially all of our customers are large well-established companies with excellent credit worthiness, we have not historically established a reserve for potentially uncollectible trade accounts receivable. However, during the fiscal year ended March 31, 2012 we established an allowance for bad debts of \$127,697, principally due to the bankruptcy filing of Saab. In light of current economic conditions we may need to maintain an allowance for bad debts in the future. It is also reasonably possible, that future events or changes in circumstances could cause the realizable value of our trade accounts receivable to decline materially, resulting in material losses.

Inventories

We maintain raw material inventories of electronic components, motor parts and other materials to meet our expected manufacturing needs for proprietary products and for products manufactured to the design specifications of our customers. Some of these components may become obsolete or impaired due to bulk purchases in excess of customer requirements. Accordingly, we periodically assesses our raw material inventory for potential impairment of value based on then available information, expectations and estimates and establish impairment reserves for estimated declines in the realizable value of our inventories. The actual realizable value of our inventories may differ materially from these estimates based on future occurrences. It is reasonably possible that future events or changes in circumstances could cause the realizable value of our inventories to decline materially, resulting in additional material impairment losses. During the fiscal years ended March 31, 2012, 2011 and 2010, we recorded inventory impairments of \$10,169, \$10,160 and \$26,714, respectively.

Percentage of Completion Revenue Recognition on Long-term Contracts: Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

We recognize revenue on development projects funded by our customers using the percentage-of-completion method. Under this method, contract services revenue is based on the percentage that costs incurred to date bear to management's best estimate of the total costs to be incurred to complete the project. Many of these contracts involve the application of our technology to customers' products and other applications with demanding specifications. Management's best estimates have sometimes been adversely impacted by unexpected technical challenges requiring additional analysis and redesign, failure of electronic components to operate in accordance with manufacturers published performance specifications, unexpected prototype failures requiring the purchase of additional parts and a variety of other factors that may cause unforeseen delays and additional costs. It is reasonably possible that total costs to be incurred on any of the projects in process at March 31, 2012 could be materially different from management's estimates, and any modification of management's estimate of total project costs to be incurred could result in material changes in the profitability of affected projects or result in material losses on any affected projects.

Fair Value Measurements and Asset Impairment

Some of our assets and liabilities may be subject to analysis as to whether the asset or liability should be marked to fair value and some assets may be evaluated for potential impairment in value. The determination of fair value for those assets that do not have quoted prices in active markets is highly judgmental. These estimates and judgments may include fair value determinations based upon the extrapolation of quoted prices for similar assets and liabilities in active or inactive markets, for observable items other than the asset or liability itself, for observable items by correlation or other statistical analysis, or from our assumptions about the assumptions market participants would use in valuing an asset or liability when no observable market data is available. Similarly, management evaluates both tangible and intangible assets for potential impairments in value. In conducting this evaluation, management may rely on a number of factors to value anticipated future cash flows including operating results, business plans and present value techniques. Rates used to value and discount cash flows may include assumptions about interest rates and the cost of capital at a point in time. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of asset impairment. Changes in any of the foregoing estimates and assumptions or a change in market conditions could result in a material change in the value of an asset or liability resulting in a material adverse change in our operating results.

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. One component of interest rate risk involves the short term investment of excess cash in short term, investment grade interest-bearing securities. If there are changes in interest rates, those changes would affect the investment income we earn on these investments and, therefore, impact our cash flows and results of operations. We do not use financial instruments to any degree to manage these risks and do not hold or issue financial instruments for trading purposes. All of our product sales, and related receivables are payable in U.S. dollars.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm



Report of Independent Registered Public Accounting Firm

Audit - Tax - Advisory
Grant Thornton LLP
707 17th Street, Suite 3200
Denver, CO 80202-3336
T 303.813.4000
F 303.839.5711
www.GrantThornton.com

Board of Directors and

Shareholders of UQM Technologies, Inc.

We have audited the accompanying consolidated balance sheets of UQM Technologies, Inc. (a Colorado corporation) and subsidiaries (collectively, the "Company") as of March 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2012. These financial statements are the responsibility of the Company's management. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UQM Technologies, Inc. and subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 24, 2012 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Denver, Colorado

May 24, 2012

Grant Thornton LLP

U.S. member firm of Grant Thornton International Ltd



Report of Independent Registered Public Accounting Firm

Audit • Tax • Advisory

Grant Thornton LLP
707 17th Street, Suite 3200
Denver, CO 80202-3336

T 303.813.4000
F 303.839.5711

www.GrantThornton.com

Board of Directors and

Shareholders of UQM Technologies, Inc.

We have audited UQM Technologies, Inc. (a Colorado Corporation) and subsidiaries (collectively, the "Company") internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of UQM Technologies, Inc. and subsidiaries as of March 31, 2012 and 2011 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2012, and our report dated May 24, 2012 expressed an unqualified opinion .

/s/ GRANT THORNTON LLP

Denver, Colorado

May 24, 2012

Grant Thornton LLP

U.S. member firm of Grant Thornton International Ltd

UQM TECHNOLOGIES, INC.

AND SUBSIDIARIES

Consolidated Balance Sheets

toc *

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 11,637,940	15,878,752
Short-term investments	482,909	8,332,523
Accounts receivable , net	4,929,117	3,527,054
Costs and estimated earnings in excess of billings on uncompleted contracts	78,376	126,775
Inventories	10,564,148	2,213,441
Facility held for sale	1,621,257	-
Prepaid expenses and other current assets	<u>556,592</u>	<u>367,154</u>
Total current assets	<u>29,870,339</u>	<u>30,445,699</u>
Property and equipment, at cost:		
Land	1,683,330	1,859,988
Building	4,484,493	6,822,850

Machinery and equipment	<u>7,868,481</u>	<u>6,766,539</u>
	14,036,304	15,449,377
Less accumulated depreciation	<u>(4,677,827)</u>	<u>(4,696,942)</u>
Net property and equipment	<u>9,358,477</u>	<u>10,752,435</u>
Patent costs, net of accumulated amortization of \$816,259 and \$781,608	222,836	264,091
Trademark costs, net of accumulated amortization of \$59,743 and \$55,256	113,844	118,331
Other assets	<u>90,105</u>	<u>223,364</u>
Total assets	\$ <u>39,655,601</u>	\$ <u>41,803,920</u>

See accompanying notes to consolidated financial statements.

(Continued)

UQM TECHNOLOGIES, INC.

AND SUBSIDIARIES

Consolidated Balance Sheets, Continued

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 2,356,513	1,373,403
Other current liabilities	2,329,101	903,706
Short-term deferred compensation under executive employment agreements	152,007	739,200
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>7,201</u>	<u>15,726</u>
Total current liabilities	<u>4,844,822</u>	<u>3,032,035</u>
Long-term deferred compensation under executive employment agreements	<u>563,100</u>	<u>577,172</u>
Total liabilities	<u>5,407,922</u>	<u>3,609,207</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 50,000,000 shares authorized;		
36,356,177 and 36,213,293 shares issued and outstanding	363,562	362,133

Additional paid-in capital	114,371,106	113,391,049
Accumulated deficit	<u>(80,486,989)</u>	<u>(75,558,469)</u>
Total stockholders' equity	<u>34,247,679</u>	<u>38,194,713</u>
Total liabilities and stockholders' equity	\$ <u>39,655,601</u>	<u>41,803,920</u>

See accompanying notes to consolidated financial statements.

UQM TECHNOLOGIES, INC.

AND SUBSIDIARIES

Consolidated Statements of Operations

toc *

	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010
Revenue:			
Contract services	\$ 785,068	608,204	1,384,599
Product sales	<u>9,358,388</u>	<u>8,413,098</u>	<u>7,307,354</u>
	<u>10,143,456</u>	<u>9,021,302</u>	<u>8,691,953</u>
Operating costs and expenses:			
Costs of contract services	499,813	541,214	892,649
Costs of product sales	6,663,648	6,087,385	5,082,171
Research and development	37,128	292,865	576,341
Production engineering	6,014,868	3,536,287	2,908,334
Reimbursement of costs under DOE grant	(3,794,324)	(3,988,655)	-
Selling, general and administrative	5,678,797	4,884,373	3,433,549
Loss (gain) on disposal of assets	<u>(3,138)</u>	<u>17,007</u>	<u>-</u>
	<u>15,096,792</u>	<u>11,370,476</u>	<u>12,893,044</u>
Loss before other income (expense)	(4,953,336)	(2,349,174)	(4,201,091)
Other income (expense):			
Interest income	22,805	91,342	64,916
Interest expense	-	-	(15,697)
Other	<u>2,011</u>	<u>265,474</u>	<u>11,000</u>
	<u>24,816</u>	<u>356,816</u>	<u>60,219</u>
Net loss	\$ <u>(4,928,520)</u>	<u>(1,992,358)</u>	<u>(4,140,872)</u>
Net loss per common share-basic and diluted:	\$ (<u>0.14</u>)	(<u>0.06</u>)	(<u>0.13</u>)
Weighted average number of shares of common stock outstanding - basic and diluted	<u>36,301,642</u>	<u>36,070,364</u>	<u>30,720,368</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

toc *

	Number of common shares issued	Common stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
Balances at April 1, 2009	26,727,694	\$ 267,277	78,767,154	(69,425,239)	9,609,192
Issuance of common stock in follow-on offering, net of offering costs	8,625,000	86,250	31,578,123	-	31,664,373
Issuance of common stock under employee stock purchase plan	61,362	613	106,000	-	106,613
Purchase of treasury stock	(38,750)	(388)	(159,787)	-	(160,175)
Issuance of common stock upon exercise of employee options	374,349	3,743	1,081,120	-	1,084,863
Issuance of common stock upon exercise of warrants	70,142	701	179,495	-	180,196
Issuance of common stock under stock bonus plan	126,941	1,271	(1,271)	-	-
Compensation expense from employee and director stock option and common stock grants	-	-	660,393	-	660,393
Net loss	-	-	-	(4,140,872)	(4,140,872)
Balances at March 31, 2010	35,946,738	359,467	112,211,227	(73,566,111)	39,004,583
Issuance of common stock under employee stock purchase plan	9,828	98	22,397	-	22,495
Purchase of treasury stock	(55,045)	(550)	(143,201)	-	(143,751)
Issuance of common stock upon exercise of employee options	31,966	320	68,796	-	69,116
Issuance of common stock under stock bonus plan	279,806	2,798	334,375	-	337,173
Compensation expense from employee and director stock option and common stock grants	-	-	897,455	-	897,455
Net loss	-	-	-	(1,992,358)	(1,992,358)
Balances at March 31, 2011	36,213,293	362,133	113,391,049	(75,558,469)	38,194,713
Issuance of common stock under employee stock purchase plan	41,158	412	60,548	-	60,960
Purchase of treasury stock	(6,191)	(62)	(12,314)	-	(12,376)
Issuance of common stock under stock bonus plan	107,917	1,079	167,545	-	168,624
Compensation expense from employee and director stock option and common stock grants	-	-	764,278	-	764,278
Net loss	-	-	-	(4,928,520)	(4,928,520)
Balances at March 31, 2012	<u>36,356,177</u>	\$ <u>363,562</u>	<u>114,371,106</u>	<u>(80,486,989)</u>	<u>34,247,679</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

toc *

Year Ended	Year Ended	Year Ended
<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>March 31, 2010</u>

Cash flows from operating activities:

Net loss	\$ (4,928,520)	(1,992,358)	(4,140,872)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,178,958	864,572	603,095
Non-cash equity based compensation	932,902	1,234,628	660,393
Loss (gain) on disposal of assets	(3,138)	17,007	-
Impairment of long-lived assets	27,845	-	-
Impairment of inventories	10,169	10,160	26,714
Change in operating assets and liabilities:			
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts	(1,978,510)	(1,139,033)	(816,187)
Inventories	(8,360,876)	(932,275)	(10,869)
Prepaid expenses and other current assets	(189,438)	(226,869)	(22,517)
Other assets	-	-	(9,037)
Accounts payable and other current liabilities	2,506,261	(245,358)	1,219,221
Billings in excess of costs and estimated earnings on uncompleted contracts	(8,525)	(35,826)	(19,815)
Deferred compensation under executive employment agreements	<u>(601,265)</u>	<u>160,956</u>	<u>81,867</u>
Net cash used in operating activities	<u>(11,414,137)</u>	<u>(2,284,396)</u>	<u>(2,428,007)</u>
Cash flows from investing activities:			
Purchases of short-term investments	(7,369,698)	(20,435,612)	(12,412,670)
Maturities of short-term investments	15,219,312	24,570,973	3,295,154
Decrease (increase) in other long-term assets	(61,855)	1,412	(1,664)
Acquisition of property and equipment	(2,132,593)	(7,388,288)	(9,210,789)
Property and equipment reimbursements received from DOE under grant	1,486,990	3,735,719	3,574,617
Increase in patent and trademark costs	(21,240)	(9,520)	(37,987)
Cash proceeds from sale of equipment	<u>3,825</u>	<u>1,004</u>	<u>-</u>
Net cash provided by (used in) investing activities	\$ <u>7,124,741</u>	<u>475,688</u>	<u>(14,793,339)</u>

See accompanying notes to consolidated financial statements.

(Continued)

**UQM TECHNOLOGIES, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows, Continued

Year Ended	Year Ended	Year Ended
<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>March 31, 2010</u>

Cash flows from financing activities:			
Repayment of debt	\$	-	(416,923)
Issuance of common stock in follow-on offering, net of offering costs		-	31,664,373
Issuance of common stock upon exercise of employee stock options		-	1,084,863
Purchase of treasury stock		(12,376)	(160,175)
Issuance of common stock upon exercise of warrants		-	180,196
Issuance of common stock under employee stock purchase plan		60,960	106,613
Net cash provided by (used in) financing activities		48,584	32,458,947
Increase (decrease) in cash and cash equivalents		(4,240,812)	15,237,601
Cash and cash equivalents at beginning of year		15,878,752	2,501,999
Cash and cash equivalents at end of year	\$	11,637,940	17,739,600
Supplemental Cash Flow Information:			
Interest paid in cash during the year	\$	-	17,075

Non-cash investing and financing transactions:

During the year ended March 31, 2012 we reclassified a facility with a gross value of \$2,645,793 and accumulated depreciation of \$1,024,536 to facility held for sale.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

toc *

(1) Summary of Significant Accounting Policies

(a) Description of Business

UQM Technologies, Inc. and our wholly-owned subsidiaries are engaged in the research, development and manufacture of permanent magnet electric motors and the electronic controls for such motors. Our facility is located in Longmont, Colorado. Our revenue is derived primarily from product sales to customers in the automotive, industrial, and aerospace markets, and from contract research and development services. We are impacted by other factors such as the continued receipt of contracts from industrial and governmental parties, our ability to protect and maintain the proprietary nature of our technology, continued product and technological advances and our ability together with our partners, to commercialize our products and technology.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of UQM Technologies, Inc. and those of all majority-owned or controlled subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents and Short-term Investments

We consider cash on hand and investments with original maturities of three months or less to be cash and cash equivalents. Investments with original maturities of greater than three months and less than one year from the balance sheet date are classified as short-term.

We limit our cash and cash equivalents and investments to high quality financial institutions in order to minimize our credit risk.

(d) Investments

We have an investment policy approved by the Board of Directors that governs the quality, acceptability and dollar concentration of our investments. Investments are comprised of marketable securities and consist primarily of commercial paper, asset-backed and mortgage-backed securities and bank certificates of deposits with original maturities beyond three months. All marketable securities are held in our name at three major financial institutions who hold custody of the investments. All of our investments are held-to-maturity investments as we have the positive intent and ability to hold these securities until

maturity. All investments are recorded at amortized cost.

The amortized cost and unrealized gain or loss of our investments were:

	<u>March 31, 2012</u>		<u>March 31, 2011</u>	
	<u>Amortized Cost</u>	<u>Gain (Loss)</u>	<u>Amortized Cost</u>	<u>Gain (Loss)</u>
<u>Short-term investments:</u>				
U.S. government and government agency securities	\$ -	-	795,451	(17,197)
Commercial paper, corporate and foreign bonds	482,909	11,626	7,227,820	(59,777)
Certificates of deposit	<u>-</u>	<u>-</u>	<u>309,252</u>	<u>-</u>
	<u>482,909</u>	<u>11,626</u>	<u>8,332,523</u>	<u>(76,974)</u>
<u>Long-term investment:</u>				
Certificates of deposit (included in other assets)	<u>61,855</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>544,764</u>	<u>11,626</u>	<u>8,332,523</u>	<u>(76,974)</u>

The time to maturity of held-to-maturity securities were:

	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
Three to six months	\$ 432,985	6,518,845
Six months to one year	49,924	1,813,678
Over one year	<u>61,855</u>	<u>-</u>
	\$ <u>544,764</u>	<u>8,332,523</u>

(e) Accounts Receivable

We extend unsecured credit to most of our customers following a review of the customers' financial condition and credit history. Our sales are conducted through acceptance of customer purchase orders or in some cases through supply agreements. For credit qualified customers our standard terms are net 30 days. For international customers without an adequate credit rating, our typical terms are irrevocable letter of credit or cash payment in advance of delivery. We establish an allowance for doubtful accounts based upon a number of factors including the length of time trade receivables are past due, the customer's ability to pay its obligation to us, the condition of the general economy, estimates of credit risk, historical trends and other information. We write off accounts receivable when they become uncollectible against our allowance for uncollectible accounts receivable. At March 31, 2012 and 2011, we had an allowance for uncollectible accounts receivable of \$127,697 and zero, respectively. Accounts receivable are deemed to be past due when they have not been paid by their contractual due dates.

(f) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. We charge directly to expense slow moving or obsolete inventory items during the period we assess the value of such inventory to be impaired. For the fiscal years ended March 31, 2012, 2011 and 2010, we impaired inventory of \$10,169, \$10,160 and \$26,714, respectively.

(g) Property and Equipment

Property and equipment are stated at cost, unless the asset was acquired, in part, with DOE Grant funds, in which case it is stated at cost net of DOE reimbursements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years, except for buildings, which are depreciated over 27.5 years. Maintenance and repairs are charged to expense as incurred. Depreciation expense for the fiscal years ended March 31, 2012, 2011 and 2010 was \$1,139,821, \$817,033 and \$547,365, respectively.

(h) Patent and Trademark Costs

Patent and trademark costs consist primarily of legal expenses, and represent those costs incurred by us for the filing of patent and trademark applications. Amortization of patent and trademark costs is computed using the straight-line method over the estimated useful life of the asset, typically 17 years for patents, and 40 years for trademarks. Amortization expense for the fiscal years ended March 31, 2012, 2011 and 2010 was \$39,137, \$47,539, and \$55,730, respectively.

(i) Impairment of Long-Lived Assets

We periodically evaluate whether circumstances or events have affected the recoverability of long-lived assets including intangible assets with finite useful lives. The assessment of possible impairment is based on our ability to recover the carrying value of the asset or groups of assets from expected future cash flows (undiscounted and without interest charges) estimated by management. If expected future cash flows are less than the carrying value, an impairment loss is recognized to adjust the asset to fair value as determined by expected discounted future cash flows.

(j) Product Warranties

Our warranty policy generally provides three months to three years of coverage depending on the product. We record a liability for estimated warranty obligations at the date products are sold. The estimated cost of warranty coverage is based on our actual historical experience with our current products or similar products. For new products, the required reserve is based on historical experience of similar products until sufficient historical data has been collected on the new product. Adjustments are made as new information becomes available.

(k) Revenue and Cost Recognition

We manufacture proprietary products and other products. Revenue from sales of products are generally recognized at the time title to the goods and the benefits and risks of ownership passes to the customer which is typically when products are shipped based on the terms of the customer purchase agreement.

Revenue relating to long-term fixed price contracts is recognized using the percentage of completion method. Under the percentage of completion method, contract revenues and related costs are recognized based on the percentage that costs incurred to date bear to total estimated costs. Changes in job performance, estimated profitability and final contract settlements may result in revisions to cost and revenue, and are recognized in the period in which the revisions are determined. Contract costs include all direct materials, subcontract and labor costs and other indirect costs. Selling, general and administrative costs are charged to expense as incurred. At the time a loss on a contract becomes known, the entire amount of the estimated loss is accrued.

The aggregate of costs incurred and estimated earnings recognized on uncompleted contracts in excess of related billings is shown as a current asset, and billings on uncompleted contracts in excess of costs incurred and estimated earnings is shown as a current liability.

(l) Government Grants

The Company recognizes government grants when it is probable that the Company will comply with the conditions attached to the grant arrangement and the grant will be received. Government grants are recognized in the consolidated statements of operations on a systematic basis over the periods in which the Company recognizes the related costs for which the government grant is intended to compensate. Specifically, when government grants are related to reimbursements for cost of revenues or operating expenses, the government grants are recognized as a reduction of the related expense in the consolidated statements of operations. For government grants related to reimbursements of capital expenditures, the government grants are recognized as a reduction of the basis of the asset and recognized in the consolidated statements of operations over the estimated useful life of the depreciable asset as reduced depreciation expense.

The Company records government grants receivable in the consolidated balance sheets in accounts receivable.

(m) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The valuation of deferred tax assets may be reduced if future realization is not assured. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income tax expense or benefit in the period that includes the enactment date. The Company has unexpired net operating losses and research and development credits carrying forward into current years that date from the tax year 1998 and 2001, respectively. As such, all federal tax returns from 1998 to the present are subject to federal audit.

(n) Research and Development

Costs of researching and developing new technology, or significantly altering existing technology, are expensed as incurred.

(o) Loss per Common Share

Basic earnings per share is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share is computed by dividing income or loss available to common stockholders by all outstanding and potentially dilutive shares during the periods presented, unless the effect is antidilutive. At March 31, 2012, 2011 and 2010, respectively, issued but not yet earned common shares of 167,680, 62,199, and 98,929 were being held in safekeeping by the Company. For the fiscal years 2012, 2011 and 2010, shares in the amount of zero, 8,794, and 26,260, respectively, were potentially includable in the calculation of diluted loss per share under the treasury stock method but were not included, because to do so would be antidilutive. At March 31, 2012, 2011 and 2010, options to purchase 3,254,905, 2,971,251 and 2,637,875 shares of common stock, respectively, were outstanding. For the fiscal years ended March 31, 2012, 2011 and 2010, respectively, options for 3,201,569, 1,032,297, and 678,815 shares were not included in the computation of diluted loss per share because the option exercise price was greater than the average market price of the common stock. In-the-money options determined under the treasury stock method to acquire 2,834 shares, 363,356 shares and 612,807 shares of common stock for the fiscal years ended March 31, 2012, 2011 and 2010, respectively, were potentially includable in the calculation of diluted loss per share but were not included, because to do so would be antidilutive.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Stock Based Compensation

Stock Option Plans

As of March 31, 2012, we had 260,004 shares of common stock available for future grant to employees, consultants and key suppliers under our 2002 Equity Incentive Plan ("Plan"). This Plan expired on April 2, 2012 by its terms. We adopted a new plan, the 2012 Equity Incentive Plan on April 11, 2012 ("2012 Plan") and authorized 1,300,000 shares of common stock which are available for future grant to employees, consultants and key suppliers, subject to ratification by the Company's shareholders. The term of the 2012 Plan is ten years. Under the 2012 Plan, the exercise price of each option is set at the fair value of the common stock on the date of grant and the maximum term of the option is ten years from the date of grant. Options granted to employees generally vest ratably over a three-year period. The maximum number of options that may be granted to an employee under the Plan in any calendar year is 500,000 options. Forfeitures under the Plan are available for re-issuance at any time prior to expiration of the Plan in 2022. Options granted under the Plan to employees require the option holder to abide by certain Company policies, which restrict their ability to sell the underlying common stock. Prior to the adoption of the 2012 Plan, we issued stock options under our 2002 Equity Incentive Plan. Forfeitures under the 2002 Equity Incentive Plan may not be re-issued.

Non-Employee Director Stock Option Plan

In February 1994, our Board of Directors ratified a Stock Option Plan for Non-Employee Directors ("Directors Plan") pursuant to which Directors may elect to receive stock options in lieu of cash compensation for their services as directors. On November 2, 2011 the board of directors approved an amendment to the Directors Plan increasing the number of common stock available for future grant by 500,000 shares, subject to ratification by the company's shareholders. As of March 31, 2012, we had 448,509 shares of

common stock available for future grant under the Directors Plan. Option terms range from three to ten years from the date of grant. Option exercise prices are equal to the fair value of the common shares on the date of grant. Options granted under the plan generally vest immediately. Forfeitures under the Directors Plan are available for re-issuance at a future date.

Stock Purchase Plan

We have established a Stock Purchase Plan under which eligible employees may contribute up to 10 percent of their compensation to purchase shares of our common stock at 85 percent of the fair market value at specified dates. As of March 31, 2012 we had 455,621 shares of common stock available for issuance under the Stock Purchase Plan. During the years ended March 31, 2012, 2011 and 2010, respectively, 41,158, 9,828 and 61,362 shares of common stock were issued under the Stock Purchase Plan. Cash received by us upon the issuance of shares under the Stock Purchase Plan for the years ended March 31, 2012, 2011 and 2010, was \$60,960, \$22,495 and \$106,613, respectively.

Stock Bonus Plan

We have a Stock Bonus Plan ("Stock Plan") administered by the Board of Directors. As of March 31, 2012 there were 550,320 shares of common stock available for future grant under the Stock Plan. On May 9, 2012, the Board of Directors approved an amendment to the plan increasing the number of shares available for future grant by 200,000 shares, subject to ratification by the company's shareholders. Under the Stock Plan, shares of common stock may be granted to employees, key consultants, and directors who are not employees as additional compensation for services rendered. Vesting requirements for grants under the Stock Plan, if any, are determined by the Board of Directors at the time of grant. There were 213,398, 243,076, and zero shares granted under the Stock Plan during the years ended March 31, 2012, 2011, and 2010, respectively.

We use the straight-line attribution method to recognize share-based compensation costs over the requisite service period of the award. Options granted by us generally expire ten years from the grant date. Options granted to existing and newly hired employees generally vest over a three-year period from the date of the grant. The exercise price of options is equal to the market price of our common stock (defined as the closing price reported by the NYSE MKT) on the date of grant.

We use the Black-Scholes-Merton option pricing model for estimating the fair value of stock option awards. Total share-based compensation expense and the classification of these expenses for the last three fiscal years were as follows:

	Year Ended <u>March 31, 2012</u>	Year Ended <u>March 31, 2011</u>	Year Ended <u>March 31, 2010</u>
Cost of contract services	\$ 21,592	90,189	84,331
Cost of product sales	98,807	105,714	76,809
Research and development	1,110	15,892	29,606
Production engineering	193,474	100,802	103,669
Selling, general and administrative	<u>617,919</u>	<u>922,031</u>	<u>365,978</u>
	<u>\$ 932,902</u>	<u>1,234,628</u>	<u>660,393</u>

Share-based compensation capitalized in inventories was insignificant as of March 31, 2012 and 2011.

We adjust share-based compensation on a quarterly basis for changes to the estimate of expected equity award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate for all expense amortization is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments during the years ended March 31, 2012, 2011 and 2010 was insignificant.

All options granted under the Non-Employee Director Stock Option Plan are vested. A summary of the status of non-vested shares under the 2002 Equity Incentive Plan as of March 31, 2012, 2011 and 2010, and changes during the years ended March 31, 2012, 2011 and 2010 are presented below:

	Year Ended <u>March 31, 2012</u>		Year Ended <u>March 31, 2011</u>		Year Ended <u>March 31, 2010</u>	
	Weighted-		Weighted-		Weighted-	
	Shares	Average	Shares	Average	Shares	Average
	Under	Grant Date	Under	Grant Date	Under	Grant Date
	<u>Option</u>	<u>Fair Value</u>	<u>Option</u>	<u>Fair Value</u>	<u>Option</u>	<u>Fair Value</u>
Non-vested at April 1	475,934	\$ 1.73	338,747	\$ 1.93	283,454	\$ 1.40
Granted	-	\$ -	-	\$ -	-	\$ -
Vested	-	\$ -	-	\$ -	-	\$ -
Forfeited	<u>(3,610)</u>	\$ 1.79	<u>(1,832)</u>	\$ 1.61	<u>-</u>	\$ -
Non-vested at June 30	472,324	\$ 1.73	336,915	\$ 1.94	283,454	\$ 1.40
Granted	389,588	\$ 1.68	510,132	\$ 1.37	-	\$ -
Vested	(149,126)	\$ 1.41	(297,594)	\$ 1.21	(128,471)	\$ 1.47
Forfeited	<u>(931)</u>	\$ 1.61	<u>-</u>	\$ -	<u>(5,873)</u>	\$ 1.58
Non-vested at September 30	711,855	\$ 1.77	549,453	\$ 1.80	149,110	\$ 1.35

Granted	25,000	\$ 1.12	-	\$ -	193,304	\$ 2.38
Vested	(64,435)	\$ 2.38	(64,435)	\$ 2.38	-	\$ -
Forfeited	<u>(1,985)</u>	\$ 1.61	<u>(7,119)</u>	\$ 1.58	<u>-</u>	\$ -
Non-vested at December 31	670,435	\$ 1.69	477,899	\$ 1.73	342,414	\$ 1.93
Granted	-	\$ -	-	\$ -	-	\$ -
Vested	-	\$ -	-	\$ -	(3,667)	\$ 1.78
Forfeited	<u>(1,713)</u>	\$ 1.61	<u>(1,965)</u>	\$ 1.45	<u>-</u>	\$ -
Non-vested at March 31	<u>668,722</u>	\$ <u>1.69</u>	<u>475,934</u>	\$ <u>1.73</u>	<u>338,747</u>	\$ <u>1.93</u>

As of March 31, 2012, there was \$660,870 of total unrecognized compensation cost related to stock options granted under our stock option plans. The unrecognized compensation cost is expected to be recognized over a weighted average period of 23 months. The total fair value of stock options that vested during the years ended March 31, 2012, 2011 and 2010 was \$363,238, \$512,720 and \$194,945, respectively.

A summary of the non-vested shares under the Stock Bonus Plan as of March 31, 2012, 2011 and 2010, and changes during the years ended March 31, 2012, 2011 and 2010 are presented below:

	Year Ended		Year Ended		Year Ended	
	March 31, 2012		March 31, 2011		March 31, 2010	
	Weighted-		Weighted-		Weighted-	
	Shares	Average	Shares	Average	Shares	Average
	Under	Grant Date	Under	Grant Date	Under	Grant Date
	<u>Contract</u>	<u>Fair Value</u>	<u>Contract</u>	<u>Fair Value</u>	<u>Contract</u>	<u>Fair Value</u>
Non-vested at April 1	62,199	\$ 2.50	98,929	\$ 2.97	225,870	\$ 3.08
Granted	-	\$ -	-	\$ -	-	\$ -
Vested	-	\$ -	-	\$ -	-	\$ -
Forfeited	<u>-</u>	\$ -	<u>-</u>	\$ -	<u>-</u>	\$ -
Non-vested at June 30	62,199	\$ 2.50	98,929	\$ 2.97	225,870	\$ 3.08
Granted	213,398	\$ 2.34	235,173	\$ 2.51	-	\$ -
Vested	(107,917)	\$ 2.28	(139,767)	\$ 2.57	(45,342)	\$ 3.20
Forfeited	<u>-</u>	\$ -	<u>-</u>	\$ -	<u>-</u>	\$ -
Non-vested at September 30	167,680	\$ 2.44	194,335	\$ 2.70	180,528	\$ 3.05
Granted	-	\$ -	7,903	\$ 1.92	-	\$ -
Vested	-	\$ -	(140,039)	\$ 2.74	(81,599)	\$ 3.14
Forfeited	<u>-</u>	\$ -	<u>-</u>	\$ -	<u>-</u>	\$ -
Non-vested at December 31	167,680	\$ 2.44	62,199	\$ 2.50	98,929	\$ 2.97
Granted	-	\$ -	-	\$ -	-	\$ -
Vested	-	\$ -	-	\$ -	-	\$ -
Forfeited	<u>-</u>	\$ -	<u>-</u>	\$ -	<u>-</u>	\$ -
Non-vested at March 31	<u>167,680</u>	\$ <u>2.44</u>	<u>62,199</u>	\$ <u>2.50</u>	<u>98,929</u>	\$ <u>2.97</u>

As of March 31, 2012 there was \$288,786 of total unrecognized compensation cost related to common stock granted under our Stock Bonus Plan. The unrecognized compensation cost is expected to be recognized over a weighted average period of 25 months. The total fair value of common stock granted under the Stock Bonus Plan that vested during the years ended March 31, 2012, 2011 and 2010 was \$245,745, \$743,454, and \$401,384, respectively.

During the years ended March 31, 2012, 2011 and 2010 options to acquire 569,710, 629,965, and 246,840 shares of common stock, respectively, were granted under our 2002 Equity Incentive and Non-Employee Director Stock Option Plans. The weighted average estimated values of employee and director stock option grants, as well as the weighted average assumptions that were used in calculating such values during the years ended March 31, 2012, 2011 and 2010, were based on estimates at the date of grant as follows:

	Year Ended March 31,		
	2012	2011	2010

Weighted average estimated

fair value of grant	\$ 2.29 per option	\$ 1.33 per option	\$ 2.35 per option
Expected life (in years)	5.8 years	4.1 years	3.2 years
Risk free interest rate	2.59 %	1.56 %	2.18 %
Expected volatility	73.96 %	73.46 %	75.89 %
Expected dividend yield	0.0 %	0.0 %	0.0 %

Expected volatility is based on historical volatility. Options granted to members of the board of directors and executives with option terms of less than ten years utilize the simplified calculation of expected life described by SAB 107 because we do not have sufficient historical experience for option grants with option terms of less than ten years. The expected life of all other options granted is based on historical experience.

Additional information with respect to stock option activity during the year ended March 31, 2012 under our 2002 Equity Incentive Plan is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at April 1, 2011	2,630,491	\$ 3.00	3.7 years	\$ 959,001
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>(6,309)</u>	\$ 3.08		
Outstanding at June 30, 2011	2,624,182	\$ 3.00	3.5 years	\$ 39,661
Granted	389,588	\$ 2.40		
Exercised	-	\$ -		\$ -
Forfeited	<u>(35,931)</u>	\$ 3.54		
Outstanding at September 30, 2011	2,977,839	\$ 2.92	4.1 years	\$ -
Granted	25,000	\$ 2.10		
Exercised	-	\$ -		\$ -
Forfeited	<u>(1,985)</u>	\$ 2.40		
Outstanding at December 31, 2011	3,000,854	\$ 2.91	3.9 years	\$ -
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>(218,398)</u>	\$ 4.14		
Outstanding at March 31, 2012	<u>2,782,456</u>	\$ 2.81	<u>4.0 years</u>	\$ <u>-</u>
Exercisable at March 31, 2012	<u>2,113,734</u>	\$ 2.87	<u>2.7 years</u>	\$ <u>-</u>
Vested and expected to vest at March 31, 2012	<u>2,755,229</u>	\$ 2.82	<u>3.9 years</u>	\$ <u>-</u>

Additional information with respect to stock option activity during the year ended March 31, 2011 under our 2002 Equity Incentive Plan is as follows:

	Weighted Average
--	---------------------

	Shares	Average	Remaining	Aggregate
	Under	Exercise	Contractual	Intrinsic
	<u>Option</u>	<u>Price</u>	<u>Life</u>	<u>Value</u>
Outstanding at April 1, 2010	2,377,075	\$ 3.45	3.9 years	\$ 2,509,155
Granted	-	\$ -		
Exercised	(1,000)	\$ 3.57		\$ 600
Forfeited	<u>(3,166)</u>	\$ 3.57		
Outstanding at June 30, 2010	2,372,909	\$ 3.45	3.7 years	\$ 1,264,435
Granted	510,132	\$ 2.52		
Exercised	-	\$ -		\$ -
Forfeited	<u>(6,334)</u>	\$ 3.59		
Outstanding at September 30, 2010	2,876,707	\$ 3.28	4.0 years	\$ 328,687
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>(7,119)</u>	\$ 2.37		
Outstanding at December 31, 2010	2,869,588	\$ 3.29	3.7 years	\$ 74,736
Granted	-	\$ -		
Exercised	(30,966)	\$ 2.12		\$ 35,590
Forfeited	<u>(208,131)</u>	\$ 7.07		
Outstanding at March 31, 2011	<u>2,630,491</u>	\$ 3.00	<u>3.7 years</u>	\$ <u>959,001</u>
Exercisable at March 31, 2011	<u>2,154,557</u>	\$ 2.99	<u>3.2 years</u>	\$ <u>759,243</u>
Vested and expected to vest at March 31, 2011	<u>2,612,913</u>	\$ 3.00	<u>3.7 years</u>	\$ <u>950,395</u>

Additional information with respect to stock option activity during the year ended March 31, 2010 under our 2002 Equity Incentive Plan is as follows:

	Shares	Weighted	Weighted	Aggregate
	Under	Average	Average	Intrinsic
	<u>Option</u>	<u>Price</u>	<u>Life</u>	<u>Value</u>
Outstanding at April 1, 2009	2,740,815	\$ 3.66	4.7 years	\$ -
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		
Outstanding at June 30, 2009	2,740,815	\$ 3.66	4.4 years	\$ 341,705
Granted	-	\$ -		
Exercised	(254,094)	\$ 2.71		\$ 535,449
Forfeited	<u>(5,873)</u>	\$ 2.66		
Outstanding at September 30, 2009	2,480,848	\$ 3.76	4.0 years	\$ 5,803,280
Granted	193,304	\$ 4.73		
Exercised	(79,009)	\$ 3.55		\$ 722,353

Forfeited	<u>(667)</u>	\$ 3.57		
Outstanding at December 31, 2009	2,594,476	\$ 3.84	3.9 years	\$ 8,237,679
Granted	-	\$ -		
Exercised	(21,444)	\$ 2.39		\$ -
Forfeited	<u>(195,957)</u>	\$ 8.75		
Outstanding at March 31, 2010	<u>2,377,075</u>	\$ <u>3.45</u>	<u>3.9 years</u>	\$ <u>2,509,155</u>
Exercisable at March 31, 2010	<u>2,038,328</u>	\$ <u>3.40</u>	<u>3.7 years</u>	\$ <u>2,257,051</u>
Vested and expected to vest at March 31, 2010	<u>2,362,503</u>	\$ <u>3.40</u>	<u>3.9 years</u>	\$ <u>2,494,713</u>

Additional information with respect to stock option activity during the year ended March 31, 2012 under our non-employee director stock option plan is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	Under Option			
Outstanding at April 1, 2011	329,786	\$ 2.86	3.1 years	\$ 129,642
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		
Outstanding at June 30, 2011	329,786	\$ 2.86	2.9 years	\$ 9,734
Granted	155,122	\$ 2.04		
Exercised	-	\$ -		\$ -
Forfeited	<u>(25,996)</u>	\$ 2.33		
Outstanding at September 30, 2011	458,912	\$ 2.61	3.7 years	\$ -
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>(13,158)</u>	\$ 3.40		
Outstanding at December 31, 2011	445,754	\$ 2.59	3.6 years	\$ -
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		
Outstanding at March 31, 2012	<u>445,754</u>	\$ <u>2.59</u>	<u>3.3 years</u>	\$ <u>-</u>
Exercisable at March 31, 2012	<u>445,754</u>	\$ <u>2.59</u>	<u>3.3 years</u>	\$ <u>-</u>

Vested and expected to vest at March 31, 2012 445,754 \$ 2.59 3.3 years \$ -

Additional information with respect to stock option activity during the year ended March 31, 2011 under our non-employee director stock option plan is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	<u>Option</u>	<u>Price</u>	<u>Life</u>	<u>Value</u>
Outstanding at April 1, 2010	256,653	\$ 3.15	2.6 years	\$ 303,651
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>(977)</u>	\$ 7.63		
Outstanding at June 30, 2010	255,676	\$ 3.13	2.4 years	\$ 143,003
Granted	100,136	\$ 2.63		
Exercised	-	\$ -		\$ -
Forfeited	<u>(24,039)</u>	\$ 3.57		
Outstanding at September 30, 2010	331,773	\$ 2.96	3.3 years	\$ 45,771
Granted	19,697	\$ 1.92		
Exercised	-	\$ -		\$ -
Forfeited	<u>(21,684)</u>	\$ 3.40		
Outstanding at December 31, 2010	329,786	\$ 2.86	3.4 years	\$ 14,384
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		
Outstanding at March 31, 2011	<u>329,786</u>	\$ <u>2.86</u>	<u>3.1 years</u>	\$ <u>129,642</u>
Exercisable at March 31, 2011	<u>329,786</u>	\$ <u>2.86</u>	<u>3.1 years</u>	\$ <u>129,642</u>
Vested and expected to vest at March 31, 2011	<u>329,786</u>	\$ <u>2.86</u>	<u>3.1 years</u>	\$ <u>129,642</u>

Additional information with respect to stock option activity during the year ended March 31, 2010 under our non-employee director stock option plan is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	<u>Option</u>	<u>Price</u>	<u>Life</u>	<u>Value</u>
Outstanding at April 1, 2009	222,919	\$ 2.77	2.7 years	\$ -
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		

Outstanding at June 30, 2009	222,919	\$ 2.77	2.5 years	\$ 48,096
Granted	-	\$ -		
Exercised	(19,802)	\$ 3.20		\$ 13,861
Forfeited	<u>-</u>	\$ -		
Outstanding at September 30, 2009	203,117	\$ 2.73	2.5 years	\$ 614,947
Granted	53,536	\$ 4.73		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		
Outstanding at December 31, 2009	256,653	\$ 3.15	2.9 years	\$ 950,797
Granted	-	\$ -		
Exercised	-	\$ -		\$ -
Forfeited	<u>-</u>	\$ -		
Outstanding at March 31, 2010	<u>256,653</u>	\$ <u>3.15</u>	<u>2.6 years</u>	\$ <u>303,651</u>
Exercisable at March 31, 2010	<u>256,653</u>	\$ <u>3.15</u>	<u>2.6 years</u>	\$ <u>303,651</u>
Vested and expected to vest at March 31, 2010	<u>256,653</u>	\$ <u>3.15</u>	<u>2.6 years</u>	\$ <u>303,651</u>

Cash received by us upon the exercise of stock options for the years ended March 31, 2012, 2011 and 2010 was zero, \$69,116 and \$1,084,863, respectively. The source of shares of common stock issuable upon the exercise of stock options is from authorized and previously unissued common shares.

(3) Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts and Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts

At March 31, 2012, the estimated period to complete contracts in process ranged from one to ten months, and we expect to collect substantially all related accounts receivable arising therefrom within sixty days of billing.

The following summarizes contracts in process:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Costs incurred on uncompleted contracts	\$ 1,206,786	\$ 4,105,858
Estimated earnings	<u>380,713</u>	<u>424,184</u>
	1,587,499	4,530,042
Less billings to date	<u>(1,516,324)</u>	<u>(4,418,993)</u>
	\$ <u>71,175</u>	\$ <u>111,049</u>

Included in the accompanying balance sheets as follows:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 78,376	\$ 126,775
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(7,201)</u>	<u>(15,726)</u>
	\$ <u>71,175</u>	\$ <u>111,049</u>

(4) Inventories

Inventories consist of:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Raw materials	\$ 7,189,930	\$ 1,769,614
Work-in-process	710,603	388,647
Finished products	<u>2,663,615</u>	<u>55,180</u>
	<u>\$ 10,564,148</u>	<u>\$ 2,213,441</u>

Our raw material inventory is subject to obsolescence and potential impairment due to bulk purchases in excess of customers' requirements. We periodically assess our inventory for recovery of its carrying value based on available information, expectations and estimates, and adjust inventory carrying-value to the lower of cost or market for estimated declines in the realizable value. For the fiscal years ended March 31, 2012, 2011 and 2010, we impaired obsolete inventory with a carrying value of \$10,169, \$10,160 and \$26,714, respectively.

(5) Government Grants

We have a \$45,145,534 grant (the "Grant") with the DOE under the American Recovery and Reinvestment Act. The Grant provides funds to facilitate the manufacture and deployment of electric drive vehicles, batteries and electric drive vehicle components in the United States. Pursuant to the terms of the Agreement, the DOE will reimburse us for 50 percent of qualifying costs for the purchase of facilities, tooling and manufacturing equipment, and for engineering related to product qualification and testing of our electric propulsion systems and other products. The period of the Grant is through January 12, 2015.

We recognize government grants when it is probable that the Company will comply with the conditions attached to the grant arrangement and the grant will be received.

Funding for qualifying project costs incurred is initially limited to \$32.0 million until we provide the DOE with an updated total estimated cost of the project along with evidence of firm commitments for our 50 percent share of the total estimated cost of the project no later than July 12, 2013. If all such funds have not been secured, we must submit, by such date, a funding plan to obtain the remainder of such funds, which is acceptable to the DOE. In the event we do not satisfy the foregoing contingency, the Grant may be terminated. In addition, the Grant may be terminated at any time at the convenience of the government.

The Grant is also subject to our compliance with certain reporting requirements. The American Recovery and Reinvestment Act imposes minimum construction wages and labor standards for projects funded by the Grant.

If we dispose of assets acquired using Grant funding, we may be required to reimburse the DOE upon such sale date if the fair value of the asset on the date of disposition exceeds \$5,000. The amount of any such reimbursement shall be equal to 50 percent of the fair value of the asset on the date of disposition.

While UQM has exclusive patent ownership rights for any technology developed with Grant funds, we are required to grant the DOE a non-exclusive, non-transferable, paid-up license to use such technology.

In the fiscal year ended March 31, 2011, we recognized reimbursements of \$1,546,446 for certain engineering costs incurred from August 5, 2009, through March 31, 2010 upon the satisfaction of certain conditions contained in the Grant.

At March 31, 2012 we had received reimbursements from the DOE under the American Recovery and Reinvestment Act totaling \$16,464,981 and had grant funds receivable of \$280,674.

The application of grant funds to eligible capital asset purchases under the DOE Grant as of March 31, 2012 and 2011 are as follows:

	<u>March 31, 2012</u>		
	<u>Purchase Cost</u>	<u>Grant Funding</u>	<u>Recorded Value</u>
Land	\$ 896,388	448,194	448,194
Building	9,865,371	4,932,685	4,932,686
Machinery and Equipment	<u>7,163,597</u>	<u>3,581,799</u>	<u>3,581,798</u>
	<u>\$ 17,925,356</u>	<u>8,962,678</u>	<u>8,962,678</u>

	<u>March 31, 2011</u>		
	<u>Purchase Cost</u>	<u>Grant Funding</u>	<u>Recorded Value</u>
Land	\$ 896,388	448,194	448,194
Building	9,611,560	4,805,780	4,805,780
Machinery and Equipment	<u>5,437,965</u>	<u>2,718,982</u>	<u>2,718,983</u>
	<u>\$ 15,945,913</u>	<u>7,972,956</u>	<u>7,972,957</u>

(6) Impairment of Long-Lived Assets

During the fiscal year ended March 31, 2012, 2011 and 2010, we recorded total impairment charges of \$27,845, zero and zero, respectively for the impairment of long-lived assets.

Impairments for the fiscal year ended March 31, 2012 consist solely of capitalized costs, principally legal fees, associated with the preparation and filing of patent applications that were subsequently abandoned. Because no patents were issued, none of these patent application costs were amortized prior to their impairment.

(7) Patents and Trademarks

Patents owned by the Company, had a gross carrying amount of \$1,039,095 and \$1,045,699, accumulated amortization of \$816,259 and \$781,608, and a net carrying amount of \$222,836 and \$264,091, at March 31, 2012 and 2011, respectively. Trademarks owned by the Company had a gross carrying amount of \$173,587 and \$173,587, accumulated amortization of \$59,743 and \$55,256, and a net carrying value of \$113,844 and \$118,331 at March 31, 2012 and 2011, respectively. Amortization expense for the years ended March 31, 2012, 2011 and 2010, was \$39,137, \$47,539, and \$55,730, respectively. Patents and trademarks are amortized on a straight-line basis over the estimated useful life of the asset, typically 17 years for patents, and 40 years for trademarks.

Estimated future amortization of these intangible assets by fiscal year is as follows:

	<u>Patents</u>	<u>Trademarks</u>
2013	\$ 35,022	4,487
2014	32,489	4,487
2015	23,766	4,487
2016	18,801	4,487
2017	18,801	4,487
Thereafter	<u>93,957</u>	<u>91,409</u>
	\$ <u>222,836</u>	<u>113,844</u>

(8) Other Current Liabilities

Other current liabilities consist of:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Accrued payroll and employee benefits	\$ 206,919	193,670
Accrued personal property and real estate taxes	229,470	223,714
Accrued warranty costs	154,978	89,463
Unearned revenue	1,705,715	219,751
Accrued royalties	31,493	71,398
Construction retainage	-	97,756
Other	<u>526</u>	<u>7,954</u>
	\$ <u>2,329,101</u>	<u>903,706</u>

Under the terms of the Supply Agreement with CODA, as amended, we are reimbursed by CODA for magnet purchase costs above a baseline amount specified in the Agreement. Magnet purchase costs above the baseline amount are recorded as unearned revenue at the time of payment to the vendor. Unearned revenue also includes payments from customers in advance of shipment of the purchased product.

(9) Income Taxes

Income tax benefit attributable to loss from operations differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent as a result of the following:

Year Ended	Year Ended	Year Ended
<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>March 31,</u> <u>2010</u>

Computed "expected" tax benefit	\$(1,675,697)	(677,402)	(1,407,897)
Increase (decrease) in taxes resulting from:			
Adjustment of expiring net operating loss			
carry-forwards	382,741	1,035,833	447,958
Increase (decrease) in valuation allowance for			
net deferred tax assets	1,222,257	(530,092)	812,511
Other, net	<u>70,699</u>	<u>171,661</u>	<u>147,428</u>
Income tax benefit	\$ <u> -</u>	<u> -</u>	<u> -</u>

The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset are presented below:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Deferred tax assets:		
Research and development credit carry-forwards	\$ 4,073	48,517
Net operating loss carry-forwards	21,182,834	19,785,422
Deferred compensation	275,156	505,919
Property and equipment	294,626	284,071
Intangible assets	55,067	41,413
Stock compensation	722,039	875,329
Other	<u>382,452</u>	<u>153,319</u>
Total deferred tax assets	22,916,247	21,693,990
Deferred tax liabilities:		
Intangible assets	<u> -</u>	<u> -</u>
Total deferred tax liabilities	-	-
Net deferred tax assets	22,916,247	21,693,990
Less valuation allowance	(<u>22,916,247</u>)	(<u>21,693,990</u>)
Net deferred tax assets, net of valuation allowance	\$ <u> -</u>	<u> -</u>

As of March 31, 2012, we had net operating loss carry-forwards (NOL) of approximately \$62.4 million for U.S. income tax purposes that expire in varying amounts through 2032. Approximately \$5.3 million of the net operating loss carry-forwards are attributable to stock options, the benefit of which will be credited to additional paid-in capital if realized. However, due to the provisions of Section 382 of the Internal Revenue Code, the utilization of a portion of these NOLs may be limited. Future ownership changes under Section 382 could occur that would result in additional Section 382 limitations, which could further restrict the use of NOLs. In addition, any Section 382 limitation could reduce our ability for utilization to zero if we fail to satisfy the continuity of business enterprise requirement for the two-year period following an ownership change.

The valuation allowance for deferred tax assets of \$22.9 million and \$21.7 million at March 31, 2012 and 2011, respectively, relates principally to the uncertainty of the utilization of certain deferred tax assets, primarily net operating loss carry forwards in various tax jurisdictions. The Company continually assesses both positive and negative evidence to determine whether it is more-likely-than-not that the deferred tax assets can be realized prior to their expiration. Based on the Company's assessment it has determined the deferred tax assets are not currently realizable.

We have not recorded any potential liability for uncertain tax positions taken on our tax returns.

We may, from time to time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Penalties are recorded in selling, general and administrative expenses and interest paid or received is recorded in interest expense or interest income, respectively, in the consolidated statements of operations.

(10) Stockholders' Equity

In the fiscal year ended March 31, 2010 we completed a follow-on offering of 8,625,000 shares of our common stock. Cash proceeds, net of offering costs, were \$31,664,373.

(11) Significant Customers

We have historically derived significant revenue from a few key customers. Revenue from CODA totaled \$4,313,728, \$1,301,224 and \$573,250 for the fiscal years ended March 31, 2012, 2011 and 2010, respectively, which was 43 percent, 14 percent, 7 percent of consolidated total revenue, respectively.

Trade accounts receivable from CODA were 61 percent and 16 percent of consolidated total accounts receivable as of March 31, 2012 and 2011, respectively. Inventories consisting of raw materials, work-in-progress and finished goods for this customer totaled \$8,048,999 and \$832,320 as of March 31, 2012 and 2011.

Revenue derived from contracts with agencies of the U.S. Government and from subcontracts with U.S. Government prime contractors totaled \$684,489, \$1,112,307, and \$2,488,321 for the years ended March 31, 2012, 2011 and 2010, respectively, which was 7 percent, 12 percent, and 29 percent of total consolidated revenue, respectively. Accounts receivable from government-funded contracts represented 9 percent and 49 percent of total accounts receivable as of March 31, 2012 and 2011, respectively. Of these amounts, revenue derived from subcontracts with AM General LLC totaled \$55,724, \$792,508, and \$1,807,063 which represented 1 percent, 9 percent, and 21 percent of our consolidated total revenue for the fiscal years ended March 31, 2012, 2011 and 2010, respectively. This customer also represented 2 percent and nil of total accounts receivable at March 31, 2012 and 2011, respectively. Inventories consisting of raw materials, work-in-process and finished goods for AM General LLC totaled zero at both March 31, 2012 and 2011.

(12) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable:

The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments:

The carrying value of these instruments is the amortized cost of the investments which approximates fair value. See Note 1(d).

(13) Fair Value Measurements

Liabilities measured at fair value on a recurring basis as of March 31, 2012 are summarized below:

		<u>Fair Value Measurements at Reporting Date Using</u>			
		Quoted Prices			
		In Active	Significant		
		Markets	Other	Significant	
		For Identical	Observable	Unobservable	
		Liabilities	Inputs	Inputs	
		<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Deferred Compensation under					
	executive employment agreements (1)	\$ 715,107	-	-	\$ 715,107

Note (1) \$152,007 included in current liabilities and \$563,100 included in long term liabilities on our consolidated balance sheet as of March 31, 2012.

Liabilities measured at fair value on a recurring basis as of March 31, 2011 are summarized below:

Fair Value Measurements at Reporting Date Using

Quoted Prices

		In Active	Significant	
		Markets	Other	Significant
		For Identical	Observable	Unobservable
		Liabilities	Inputs	Inputs
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Deferred Compensation under				
executive employment agreements (1)	\$ 1,316,372	-	-	1,316,372

Note (1) \$739,200 included in current liabilities and \$577,172 included in long term liabilities on our consolidated balance sheet as of March 31, 2011.

Deferred compensation under executive employment agreements represents the future compensation potentially payable under the retirement and voluntary termination provisions of executive employment agreements (see also note 16). The value of the Level 3 liability in the foregoing table was determined under the income approach, using inputs that are both unobservable and significant to the value of the obligation including changes in the Company's credit worthiness and changes in interest rates.

A summary of the liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) follows:

	Fair Value Measurements Using Significant	
	Unobservable Inputs	
	(Level 3) for the	
	<u>Fiscal Year Ended</u>	
	<u>March 31, 2012</u>	<u>March 31, 2011</u>
	Deferred	Deferred
	Compensation	Compensation
	On Executive	On Executive
	Employment	Employment
	<u>Agreements</u>	<u>Agreements</u>
Balance at beginning of fiscal year	\$ 1,316,372	\$ 1,155,416
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or losses (realized and unrealized):		
Included in earnings	137,935	160,956
Included in other comprehensive income	-	-
Settlements	<u>(739,200)</u>	<u>-</u>
Balance at the end of fiscal year	\$ 715,107	\$ 1,316,372
Loss for the period included in earnings attributable		
to the Level 3 liability still held at the end of the period	\$ <u>137,935</u>	\$ <u>160,956</u>

(14) 401(k) Employee Benefit Plan

We have established a 401(k) Savings Plan ("401K Plan") under which eligible employees may contribute up to 15 percent of their compensation. Employees over the age of 18 are eligible immediately upon hire to participate in the 401K Plan. At the direction of the participants, contributions are invested in several investment options offered by the 401K Plan. We currently match 33 percent of participants' contributions, subject to certain limitations. These matching contributions vest ratably over a three-year period. Matching contributions to the 401K Plan were \$135,825, \$96,074, and \$84,262, for the years ended March 31, 2012, 2011, and 2010, respectively.

(15) Segments

Effective April 1, 2011 the Company merged its wholly-owned subsidiary UQM Power Products, Inc. into UQM Technologies, Inc. As a result of this merger the operations of each of these entities are no longer managed or reported upon to management separately, and accordingly, the Company is no longer presenting segment information in its

financial statements.

Last fiscal year we had two reportable segments: technology and power products. These reportable segments were strategic business units that offered different products and services. They were managed separately because each business required different business strategies. The technology segment encompassed our technology-based operations including core research to advance our technology, application and production engineering and product development and job shop production of prototype components. The power products segment encompassed the manufacture and sale of motors and electronic controllers. Salaries of the executive officers and corporate general and administrative expense were allocated to each segment annually based on factors established at the beginning of the fiscal year. The percentages allocated to the technology segment and power products segment for the fiscal years ended March 31, 2011 and March 31, 2010 were 76 percent and 24 percent, and 82 percent and 18 percent, in each year.

Intersegment sales or transfers, which were eliminated upon consolidation, were \$767,935 and \$522,925 for the two years ended March 31, 2011 and 2010, respectively.

The Company leased office, production and laboratory space in a building owned by a wholly-owned subsidiary of the Company. During the fiscal years ended March 31, 2011 and 2010, this wholly-owned subsidiary's operations were included as part of the former Power Products segment. Intercompany lease payments were based on a negotiated rate for the square footage occupied and were \$298,593 and \$183,600 for the years ended March 31, 2011 and 2010, respectively, and were eliminated upon consolidation.

The following table summarizes significant financial statement information after deducting intersegment eliminations of each of the reportable segments as of and for the year ended March 31, 2011:

		Power		
	<u>Technology</u>	<u>Products</u>	<u>Total</u>	
Revenue	\$ 5,884,486	3,136,816	9,021,302	
Interest income	\$ 89,343	1,999	91,342	
Interest expense	\$ -	-	-	
Depreciation and amortization	\$ (462,312)	(402,260)	(864,572)	
Impairment of inventories	\$ (3,924)	(6,236)	(10,160)	
Segment loss	\$ (1,015,085)	(977,273)	(1,992,358)	
Total assets	\$ 29,474,989	12,328,931	41,803,920	
Expenditures for long-lived segment assets	\$ (1,297,816)	(6,099,992)	(7,397,808)	

The following table summarizes significant financial statement information after deducting intersegment eliminations of each of the reportable segments as of and for the year ended March 31, 2010:

		Power		
	<u>Technology</u>	<u>Products</u>	<u>Total</u>	
Revenue	\$ 6,236,177	2,455,776	8,691,953	
Interest income	\$ 62,141	2,775	64,916	
Interest expense	\$ -	(15,697)	(15,697)	
Depreciation and amortization	\$ (389,725)	(213,370)	(603,095)	
Impairment of inventories	\$ (26,714)	-	(26,714)	
Segment loss	\$ (3,681,599)	(459,273)	(4,140,872)	
Total assets	\$ 34,214,998	8,467,575	42,682,573	
Expenditures for long-lived segment assets	\$ (718,040)	(8,530,736)	(9,248,776)	

(16) Commitments and Contingencies

Employment Agreements

The Company has entered into employment agreements with Messrs. Ridenour, French, Burton, Lutz and Schaffer. Subsequent to the end of the fiscal year, on May 1, 2012 the Company entered into an employment agreement with Joseph Mitchell, who succeeded Mr. Burton who left the Company. Mr. Ridenour has agreed to serve in his present capacity for a five year term expiring on August 31, 2015. Messrs. French, and Lutz have agreed to serve in their present capacity for a term expiring on August 22, 2012. Mr. Schaffer has agreed to serve in his present capacity for a three year term expiring on November 30, 2014. Mr. Mitchell has agreed to serve as Vice president of Operations for a three year term expiring May 31, 2015. Pursuant to the employment agreements, Messrs. Ridenour, French, Lutz, Schaffer and Mitchell shall receive an

annual base salary of \$425,000, \$255,000, \$199,000, \$200,000 and \$200,000, respectively. Each executive also receives an automobile allowance and may receive bonuses, stock awards and stock options.

In accordance with the terms of Mr. Burton's employment agreement dated August 13, 2010, upon Mr. Burton's leaving the employ of the Company, he received a severance payment of \$152,007, representing one months' pay for each year of service with the Company and his employment agreement was terminated.

Mr. Ridenour's employment agreement provides that if employment is terminated by the Company or the executive without cause during or after the term of the agreement, Mr. Ridenour shall receive the greater of one year base pay or two months of base pay for each year of service as an officer. If Mr. Ridenour voluntarily terminates his employment and provides at least six months' notice, he shall receive six month's base pay. If the executive does not provide at least six months' notice, he shall receive two months base salary, unless the Company is in default under the agreement, which shall be considered termination by the Company without cause. If the executive provides at least six months' notice of his voluntary retirement after attaining 60 years of age, executive shall receive a total payment consisting of two months base pay for each year of service as an officer up to a maximum total payment of 24 months base pay.

Mr. French's employment agreement provides that if employment is terminated by the Company or the executive without cause during or after the term of the agreement upon attaining twenty years of service as an officer, or upon retirement after attaining age 62 1/2, the officer shall receive 24 months base salary. If the officer voluntarily terminates his employment after attaining twenty years of service as an officer and provides at least six months' notice, he shall receive one month of base pay for each year of service as an officer up to a maximum payment of 24 months base pay. If the executive has less than twenty years of service or does not provide at least six months' notice, he shall receive three months base salary, unless the Company is in default under the Agreement, which shall be considered termination by the Company without cause.

Messrs. Lutz, Schaffer and Mitchell's employment agreements provide that if employment is terminated by the Company or the executive without cause during or after the term of the agreement, the officer shall receive the greater of six months base pay or one month of base pay for each year of service as an officer. If the officer voluntarily terminates his employment and provides at least six months' notice, he shall receive six months base pay. If the executive does not provide at least six months' notice, he shall receive two months base salary, unless the Company is in default under the Agreement, which shall be considered termination by the Company without cause. If the Executive provides at least six months' notice of his voluntary retirement after attaining 62 1/2 years of age, executive shall receive a total payment consisting of one month of base pay for each year of service as an officer plus six months of base pay, up to a maximum total payment of 24 months base pay.

Messrs. Ridenour, French, Lutz, Schaffer and Mitchell's employment agreements provide that upon termination by the Company following a hostile change of control of the Company, the officer shall receive twice the payment due on a termination by the Company. If an officer dies during employment, his estate shall receive three months base pay. If the officer elects to retire at 60 years of age in the case of Mr. Ridenour, or in the cases of Messrs. French, Lutz Schaffer and Mitchell at 62 1/2 years of age, or upon attaining 20 years of service with the Company, the officer shall be entitled to continue to participate in the Company's group health insurance plan (at the same cost as employees) until attaining age 65.

The employment agreements further provide that the Company shall maintain at its expense, life insurance coverage on Messrs. Ridenour, French, Lutz, Schaffer and Mitchell payable to their designees in an amount equal to three times the annual compensation payable to each executive.

The aggregate future base salary payable to Messrs. Ridenour, French, Burton, Lutz, and Schaffer under their employment agreements over their remaining terms is \$2,203,083. Future payments under Mr. Mitchell's employment agreement are not included because he will not join the Company until June 1, 2012. The Company has recorded a liability of \$715,107 representing the potential future compensation payable to these executive officers under the retirement and voluntary termination provisions of their employment agreements.

Lease Commitments

At March 31, 2012 there were no operating leases.

Rental expense for the years ended March 31, 2012, 2011 and 2010, respectively, was zero, \$30,938 and \$62,827.

Litigation

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, and based on current available information, the ultimate disposition of these matters is not expected to have a material adverse effect on our financial position, results of operations or cash flow.

(17) Interim Financial Data (Unaudited)

	Quarters Ended			
	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	<u>March 31</u>
<u>Fiscal year 2012</u>				
Sales	\$ 1,315,060	2,334,223	2,719,323	3,774,850
Gross profit	\$ 587,895	1,020,541	578,529	793,030
Net loss	\$(1,043,543)	(1,586,185)	(846,416)	(1,452,376)
Net loss per common share basic and diluted:	\$ (0.03)	(0.04)	(0.03)	(0.04)

Quarters Ended

	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	<u>March 31</u>
<u>Fiscal year 2011</u>				
Sales	\$ 2,555,324	2,027,558	2,090,474	2,347,946
Gross profit	\$ 964,072	226,609	439,834	762,188
Net loss	\$ (486,870)	(377,793)	(932,520)	(195,175)
Net loss per common share basic and diluted:	\$ (<u>0.01</u>)	(<u>0.01</u>)	(<u>0.03</u>)	(<u>0.01</u>)

	<u>Quarters Ended</u>			
	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	<u>March 31</u>
<u>Fiscal year 2010</u>				
Sales	\$ 2,129,319	2,270,542	2,007,214	2,284,878
Gross profit	\$ 604,161	817,816	642,391	652,765
Net loss	\$ (629,116)	(496,037)	(1,984,469)	(1,031,250)
Net loss per common share basic and diluted:	\$ (<u>0.02</u>)	(<u>0.02</u>)	(<u>0.06</u>)	(<u>0.03</u>)

(18) Valuation and Qualifying Accounts

	<u>Balance at</u>	<u>Additions</u>		<u>Balance at</u>
	<u>Beginning</u>	<u>Charged to</u>	<u>Charged to</u>	<u>End of</u>
	<u>of Year</u>	<u>Costs and</u>	<u>to Other</u>	<u>Year</u>
		<u>Expenses</u>	<u>Accounts</u>	
			<u>Deductions</u>	
<u>Year ended March 31, 2012</u>				
Accrued warranty cost	\$ 89,463	196,815	-	131,300 ^(A)
Allowance for doubtful accounts- deducted from accounts receivable	\$ -	127,697	-	127,697
<u>Year ended March 31, 2011</u>				
Accrued warranty cost	\$ 75,903	142,598	-	129,038 ^(A)
<u>Year ended March 31, 2010</u>				
Accrued warranty cost	\$ 84,445	158,723	-	167,265 ^(A)

Note (A) Represents actual warranty payments for units returned under warranty.

ITEM 9 . CHANGE IN AND DISAGREEMENTS WITH INDEPENDENT ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

[toc *](#)

None.

ITEM 9A . CONTROLS AND PROCEDURES

[toc *](#)

Controls Evaluation

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2012 under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Based on their evaluation as of March 31, 2012, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by our management in the reports that it files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for all aspects of the business, including the preparation of the consolidated financial statements in this annual report. Management prepared the consolidated financial statements using accounting principles generally accepted in the United States. Management has also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, including safeguarding of assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance to management and the board of directors regarding preparation of reliable published financial statements and safeguarding of our assets. This system is supported with written policies and procedures and contains self-monitoring mechanisms. Appropriate actions are taken by management to correct deficiencies as they are identified. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and, therefore, can provide only reasonable assurance as to the reliability of financial statement preparation and such asset safeguarding.

Management has assessed the effectiveness of our internal control over financial reporting as of March 31, 2012. In making this assessment, it used the criteria described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as of March 31, 2012, our internal control over financial reporting is effective. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors who oversees the financial reporting process.

The consolidated financial statements have been audited by the independent registered public accounting firm, Grant Thornton LLP, who independently assessed the effectiveness of the Company's internal control over financial reporting. Grant Thornton LLP has issued its report on the effectiveness of our internal control over financial reporting, which is included above in Part II, Item 8 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

May 23, 2012

Eric R. Ridenour	Donald A. French
President and Chief Executive Officer	Treasurer, Secretary and Chief Financial Officer

ITEM 9B . OTHER INFORMATION

[toc *](#)

Compensatory Arrangements of Certain Officers

On May 22, 2012, the compensation and benefits committee of the Company's Board of Directors completed its annual review of the Company's executive compensation. The Company's Board of Directors reviewed the committee's recommendations, and approved the following changes in base salary for each of the following named executive officers:

Amendment to the Employment Agreement of Eric R. Ridenour - The Company's President and Chief Executive Officer, Eric R. Ridenour, is a party to an employment agreement with the Company, incorporated by reference from the Company's Current Report on Form 8-K filed August 24, 2010 as Exhibit 10.1. The Board of Directors approved an increase in Mr. Ridenour's annual base salary to \$436,000 effective May 16, 2012. Mr. Ridenour, will continue to receive an auto allowance of \$9,720 per year.

Amendment to Employment Agreement of Donald A. French - The Company's Secretary, Treasurer and Chief Financial Officer, Donald A. French, was a party to an employment agreement with the Company, incorporated by reference from the Company's Current Report on Form 8-K dated August 18, 2010 as Exhibit 10.1. The Board of Directors approved an increase in Mr. French's annual base salary to \$262,000 effective May 16, 2012. Mr. French, will continue to receive an auto allowance of \$9,720 per year.

On May 2, 2012 Mr. Burton, the Company's Senior Vice President of Operations, left the employ of the Company. Pursuant to the terms of his employment agreement dated August 13, 2010, Mr. Burton received a lump-sum payment of \$152,007, representing one month's pay for each year of service with the Company and his employment agreement was terminated.

Amendment to Employment Agreement of Jon Lutz - The Company's Vice President of Engineering, Jon Lutz, is a party to an employment agreement with the Company, incorporated by reference from the Company's Current Report on Form 8-K dated August 18, 2010 as Exhibit 10.3. The Board of Directors approved an increase in Mr. Lutz's annual base salary to \$204,000 effective May 16, 2012. Mr. Lutz, will continue to receive an auto allowance of \$9,720 per year.

Employment Agreement with Adrian Schaffer - The Company's Vice President of Sales and Business Development, Adrian Schaffer, is a party to an employment agreement with the Company, incorporated by reference from the Company's Current Report on Form 8-K dated November 4, 2011 as Exhibit 10.1. The Board of Directors approved an increase in Mr. Schaffer's annual base salary to \$203,000 effective May 16, 2012. Mr. Schaffer, will continue to receive an auto allowance of \$9,720 per year.

Employment Agreement with Joe Mitchell - The Company's Vice President of Operations, Joe Mitchell, is a party to an employment agreement with the Company, incorporated by reference from the Company's Current Report on Form 8-K dated May 8, 2012 as Exhibit 10.1. The Board of Directors approved an annual base salary to \$200,000 effective June 1, 2012, Mr. Mitchell's start date. Mr. Mitchell will be eligible for an annual cash bonus with a target level of 25% of base salary, and will be eligible for annual awards of stock options and bonus stock under the Company's equity compensation plans at a target fair value of 50% of base salary. Mr. Mitchell will also receive a one-time moving allowance of up to \$50,000 and will be reimbursed for other temporary living expenses associated with his relocation to Colorado. The Board of Directors has approved the grant on June 1, 2012 to Mr. Mitchell of stock options to acquire 25,000 shares of the Company's common stock at an exercise price equal to the closing price of the Company's common stock on the NYSE MKT on the grant date. The stock options will be for a term of five years and will vest ratably over a three year period. Mr. Mitchell will also receive an annual automobile allowance of \$9,720.

PART III

[toc *](#)

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

[toc *](#)

Additional information required by Item 10 is incorporated by reference from and contained under the headings "Election of Directors", "Management" "Section 16(a) Beneficial Ownership Reporting Compliance" and "Code of Ethics" in our Definitive Proxy Statement for the Annual Meeting of Shareholders' to be held August 8, 2012.

ITEM 11. EXECUTIVE COMPENSATION

[toc *](#)

The information required by Item 11 is incorporated by reference from and contained under the headings "Executive Compensation", "Option Grants during Fiscal Year 2012," "Aggregate Option Exercises During Fiscal Year 2012," "Option Values at the End of Fiscal Year 2012," "Director Compensation," "Compensation discussion and Analysis," "Compensation and Benefits Committee Report," and "Compensation Committee Interlocks" in our definitive Proxy Statement for the Annual Meeting of Shareholders' to be held August 8, 2012.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

[toc *](#)

The information required by Item 12 is incorporated by reference from and contained under the heading "Security Ownership of Certain Owners and Management" and "Equity Compensation Plan Information" in our definitive Proxy Statement for the Annual Meeting of Shareholders' to be held August 8, 2012.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

[toc *](#)

The information required by Item 13 is incorporated by reference from and contained under the headings "Certain Relationships and Related Transactions" in our definitive Proxy Statement for the Annual Meeting of Shareholders' to be held August 8, 2012.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

[toc *](#)

The information required by Item 14 is incorporated by reference from and contained under the heading "Ratification of Selection of Independent Auditors" in our definitive Proxy Statement for the annual meeting of shareholders to be held August 8, 2012.

PART IV

[toc *](#)

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

[toc *](#)

- (a) 1. [Financial Statements](#)

UQM Technologies, Inc. (included in Part II):

Reports of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets, March 31, 2012 and March 31, 2011.

Consolidated Statements of Operations for the Years Ended March 31, 2012, 2011, and 2010.

Consolidated Statements of Stockholders' Equity for the Years Ended March 31, 2012, 2011, and 2010.

Consolidated Statements of Cash Flows for the Years Ended March 31, 2012, 2011, and 2010.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules:

Valuation and Qualifying Accounts. See note 18 to the Consolidated Financial Statements above.

3. Exhibits:

- 3.1 Restated Articles of Incorporation. Reference is made to Exhibit 3.2 of our Annual Report on Form 10-K for the year ended October 31, 1993 (No. 1-10869), which is incorporated herein by reference.
- 3.2 Bylaws. Reference is made to Exhibit 3.1 of our Annual Report on Form 10-K for the year ended March 31, 2005 (No. 1-10869)), which is incorporated herein by reference.
- 3.3 Amendment to the Bylaws. Reference is made to Exhibit 3.1 of our current report on Form 8-K filed February 14, 2011 (No. 1-10869), which is incorporated herein by reference.
- 4.1 Specimen Stock Certificate. Reference is made to Exhibit 3.1 of our Registration Statement on Form 10 dated February 27, 1980 (No. 1-10869), which is incorporated herein by reference.
- 10.1 UQM Technologies, Inc. Employee Stock Purchase Plan. Reference is made to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-164705) filed on February 5, 2011, which is incorporated herein by reference.
- 10.2 Stock Bonus Plan. Reference is made to Exhibit 10.2 of our Current Report on Form 8-K filed on August 12, 2005 (No. 1-10869), which is incorporated herein by reference.
- 10.3 Form of Incentive Stock Option Agreement. Reference is made to Exhibit 10.6 of our Annual Report on Form 10-K filed on May 22, 2009 (No. 1-10869), which is incorporated herein by reference.
- 10.4 Form of Non-Qualified Stock Option Agreement. Reference is made to Exhibit 10.7 of our Annual Report on Form 10-K filed on May 22, 2009 (No. 1-10869), which is incorporated herein by reference.
- 10.5 Assistance Agreement between the Company and the U.S. DOE/NETL. Reference is made to Exhibit 10.1 of our Current Report on Form 8-K filed on January 20, 2011 (No. 1-10869), which is incorporated herein by reference.
- 10.6 Modification Number One to the Assistance Agreement between the Company and the U.S. DOE/NETL. Reference is

made to Exhibit 10.1 of our Current Report on Form 8-K, filed on May 17, 2011 (No. 1-10869), which is incorporated herein by reference.

- 10.7 Modification Number Two to the Assistance Agreement between the Company and the U.S. DOE/NETL. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed on June 28, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.8 Modification Number Three to the Assistance Agreement between the Company and the U.S. DOE/NETL. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed August 26, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.9 Modification Number Four to the Assistance Agreement between the Company and the U.S. DOE/NETL. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed September 9, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.10 Employment Agreement with Eric R. Ridenour dated August 3, 2010. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed August 24, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.11 Amended employment agreement with Donald A. French dated August 13, 2010. Reference is made to Exhibit 10.1 to our current report on Form 8-K, filed on August 18, 2011 (No. 1-10869), which is incorporated herein by reference.
- 10.12 Amended employment agreement with Jon Lutz dated August 13, 2010. Reference is made to Exhibit 10.3 to our current report on Form 8-K, filed on August 18, 2011 (No. 1-10869), which is incorporated herein by reference.
- 10.13 Employment Agreement with Adrian Schaffer dated October 14, 2011. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed November 4, 2011 (No. 1-10869), which is incorporated herein by reference.
- 10.14 Employment Agreement with Joseph Mitchell dated May 1, 2012. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed May 8, 2012 (No. 1-10869), which is incorporated herein by reference.
- 10.15 At Market Issuance Sales Agreement between the Company and Stifel Nicolaus & Company Incorporated dated September 15, 2010. Reference is made to Exhibit 10.1 of our current report on Form 8-K, filed September 16, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.16 Amended Restricted Stock Agreement with Mr. Ridenour dated October 20, 2010. Reference is made to Exhibit 10.1 to our current report on Form 8-K filed October 22, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.17 Supply Agreement with CODA Automotive*. Reference is made to Exhibit 99.1 of our Quarterly Report on Form 10-Q, filed October 28, 2010 (No. 1-10869), which is incorporated herein by reference.
- 10.18 Amendment to the Supply Agreement with CODA Automotive*. Reference is made to Exhibit 10.1 of our Form 10-Q filed October 27, 2011, which is incorporated herein by reference.
- 10.19 UQM Technologies, Inc. 2012 Equity Incentive Plan adopted April 11, 2012.
- 10.20 Form of Restricted Stock Agreement, amended May 9, 2012.
- 10.21 UQM Technologies, Inc. Outside Director Stock Option Plan amended November 2, 2011.
- 10.22 UQM Technologies, Inc. Stock Bonus Plan amended May 9, 2012.

- 10.23 Separation Agreement and release with Ron Burton dated May 2, 2012.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of Grant Thornton LLP.
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act 2002.

*confidential treatment request has been granted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, UQM Technologies, Inc. has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in Longmont, Colorado on the 23rd day of May, 2012.

UQM TECHNOLOGIES, INC.,

a Colorado Corporation

By: /s/ ERIC R. RIDENOUR

Eric R. Ridenour

President and

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of UQM Technologies, Inc., in the capacities indicated and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ WILLIAM G. RANKIN</u> William G. Rankin	Chairman of the Board of Directors	May 23, 2012
<u>/s/ ERIC R. RIDENOUR</u> Eric R. Ridenour	President and Chief Executive Officer	May 23, 2012
<u>/s/ DONALD A. FRENCH</u>	Treasurer and Secretary (Principal Financial and	May 23, 2012

Donald A. French	Accounting Officer)	
<u>/s/ S TEPHEN J . R OY</u>	Director	May 22, 2012
Stephen J. Roy		
<u>/s/ J EROME H . G RANRUD</u>	Director	May 23, 2012
Jerome H. Granrud		
<u>/s/ D ONALD W . V ANLANDINGHAM</u>	Director	May 23, 2012
Donald W. Vanlandingham		
<u>/s/ J OSEPH P . S ELLINGER</u>	Director	May 22, 2012
Joseph P. Sellinger		

THE SUBSIDIARIES OF THE REGISTRANT

<u>Name</u>	<u>State of Incorporation</u>
UQM Properties, Inc.	Colorado

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated May 24, 2012, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of UQM Technologies, Inc. and subsidiaries on Form 10-K for the year ended March 31, 2012. We hereby consent to the incorporation by reference of said reports in the Registration Statements of UQM Technologies, Inc. and subsidiaries on Forms S-3 (File No. 333-160913) and on Forms S-8 (File No. 033-34612, File No. 033-81430, File No. 033-92288, File No. 333-101371, File No. 333-129251, File No. 333-164705, File No. 333-168999 and File No. 333-169000).

/s/ GRANT THORNTON LLP

Denver, Colorado

May 24, 2012

Certification

I, Eric R. Ridenour, certify that:

1. I have reviewed this annual report on Form 10-K of UQM Technologies, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 23, 2012

/s/ ERIC R. RIDENOUR

Eric R. Ridenour

President and

Chief Executive Officer

Certification

I, Donald A. French, certify that:

1. I have reviewed this annual report on Form 10-K of UQM Technologies, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 23, 2012

/s/ DONALD A. FRENCH

Donald A. French
Treasurer, Secretary and
Chief Financial Officer

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of UQM Technologies, Inc. (the "Company") on Form 10-K for the annual period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ ERIC R. RIDENOUR

Eric R. Ridenour

President and Chief Executive Officer

/s/ DONALD A. FRENCH

Donald A. French

Treasurer, Secretary and Chief Financial Officer

Dated: May 23, 2012

UQM TECHNOLOGIES, INC.
2012 EQUITY INCENTIVE PLAN
(effective April 11, 2012)

Table of Contents

Page

ARTICLE I INTRODUCTION *

1.1 Establishment *

1.2 Purposes *

1.3 Effective Date *

ARTICLE II DEFINITIONS *

2.1 Definitions *

2.2 Gender and Number *

ARTICLE III PLAN ADMINISTRATION *

3.1 General *

3.2 Delegation by Committee *

ARTICLE IV STOCK SUBJECT TO THE PLAN *

4.1 Number of Shares *

4.2 Limit on Option Grants *

4.3 Share Counting *

4.4 Adjustments for Stock Split, Stock Dividend, Etc. *

4.5 General Adjustment Rules *

4.6 Determination by the Committee, Etc. *

ARTICLE V CORPORATE REORGANIZATION; CHANGE IN CONTROL *

5.1 Vesting and Termination of Options *

5.2 Assumption or Substitution of Options *

5.3 Corporate Transaction *

ARTICLE VI PARTICIPATION *

ARTICLE VII OPTIONS *

7.1 Grant of Options *

7.2 Stock Option Agreements *

7.3 Restrictions on Incentive Options *

7.4 Transferability *

7.5 No Repricing *

ARTICLE VIII RIGHTS OF PARTICIPANTS *

8.1 Service *

8.2 No Plan Funding *

ARTICLE IX GENERAL RESTRICTIONS *

9.1 Investment Representations *

9.2 Compliance with Securities Laws *

9.3 Changes in Accounting Rules *

9.4 Tax Laws. *

ARTICLE X OTHER EMPLOYEE BENEFITS *

ARTICLE XI PLAN AMENDMENT, MODIFICATION AND TERMINATION *

ARTICLE XII WITHHOLDING *

ARTICLE XIII REQUIREMENTS OF LAW *

13.1 Requirements of Law *

13.2 Federal Securities Law Requirements *

13.3 Governing Law *

ARTICLE XIV DURATION OF THE PLAN *

UQM TECHNOLOGIES, INC.

2012 EQUITY INCENTIVE PLAN

ARTICLE I

INTRODUCTION

1.1 **Establishment** . UQM Technologies, Inc., a Colorado corporation, effective April 11, 2012, hereby establishes the UQM Technologies, Inc. 2012 Equity Incentive Plan (the "Plan") for certain employees of the Company (as defined in subsection 2.1(e)) and certain consultants to the Company. The Plan permits the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and non-qualified stock options to certain key employees of the Company and to certain consultants to the Company.

1.2 **Purposes** . The purposes of the Plan are to provide those who are selected for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such persons a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in shareholder value, so that the income of those participating in the Plan is more closely aligned with the income of the Company's shareholders. The Plan is also designed to provide a financial incentive that will help the Company attract, retain and motivate the most qualified employees and consultants.

1.3 **Effective Date** . The initial effective date of the Plan is April 11, 2012. No Option shall be exercisable by any individual who is or who may be covered by Section 162(m) of the Internal Revenue Code of 1986, as amended, until the Plan is approved by the Company's shareholders. The Plan and any amendments to the Plan shall be approved by the Company's shareholders to the extent and in the manner such approval is required by applicable law or the rules of the exchange or other market on which the Company's stock is traded.

ARTICLE II

DEFINITIONS

2.1 **Definitions** . The following terms shall have the meanings set forth below:

(a) "**Affiliated Corporation**" means any corporation or other entity that is affiliated with UQM through stock ownership or otherwise and is designated as an "Affiliated Corporation" by the Board, provided, however, that for purposes of Incentive Options granted pursuant to the Plan, an "Affiliated Corporation" means any parent or subsidiary of the Company as defined in Code section 424 and further provided that, to the extent required under Code section 409A, an "Affiliated Corporation" shall include only an entity in which the Company possesses at least 20% of the total combined voting power of the entity's outstanding voting securities or such other threshold ownership percentage permitted under Code section 409A.

(b) "**Board**" means the Board of Directors of UQM.

- (c) "**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time.
- (d) "**Committee**" means a committee consisting of members of the Board who are empowered hereunder to take actions in the administration of the Plan. The Committee may designate one or more subcommittees to (i) consist solely of persons who satisfy the applicable requirements of any stock exchange or national market system on which the shares of Stock may be listed, (ii) consist solely of persons who qualify as an "outside director" within the meaning of Code section 162(m), and (iii) consist solely of persons who qualify as a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Exchange Act. Except as provided in Section 3.2, the Committee shall select Participants from Eligible Employees and Eligible Consultants of the Company and shall determine the Options to be granted pursuant to the Plan and the terms and conditions thereof.
- (e) "**Company**" means UQM Technologies, Inc. and the Affiliated Corporations.
- (f) "**Disabled**" or "**Disability**" shall have the meaning given to such terms in Code section 22(e)(3).
- (g) "**Effective Date**" means the effective date of the Plan, April 11, 2012, the date the Plan was approved by the Board.
- (h) "**Eligible Consultants**" means those consultants to the Company who are determined, by the Committee, to be individuals whose services are important to the Company and who are eligible to receive Non-Qualified Options under the Plan.
- (i) "**Eligible Employees**" means those employees (including, without limitation, officers and directors who are also employees) of the Company or any subsidiary or division thereof, upon whose judgment, initiative and efforts the Company is, or will become, largely dependent for the successful conduct of its business. For purposes of the Plan, an employee is any individual who provides services to the Company or any subsidiary or division thereof as a common law employee and whose remuneration is subject to the withholding of federal income tax pursuant to Code section 3401. Employee shall not include any individual (A) who provides services to the Company or any subsidiary or division thereof under an agreement, contract, or any other arrangement pursuant to which the individual is initially classified as an independent contractor or (B) whose remuneration for services has not been treated initially as subject to the withholding of federal income tax pursuant to Code section 3401 even if the individual is subsequently reclassified as a common law employee as a result of a final decree of a court of competent jurisdiction or the settlement of an administrative or judicial proceeding. Leased employees shall not be treated as employees under this Plan.
- (j) "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as it may be amended from time to time.
- (k) "**Fair Market Value**" means, as of a given date, (i) the closing price of a Share on the principal stock exchange on which Shares are then trading, if any (or as reported on any composite index that includes such principal exchange) on such date, or if Shares were not traded on such date, then on the next preceding date on which a trade occurred; or (ii) if the Stock is not traded on an exchange but is quoted on Nasdaq or a successor quotation system, the mean between the closing representative bid and asked prices for the Stock on such date as reported by Nasdaq or such successor quotation system; or (iii) if the Stock is not publicly traded on an exchange and not quoted on Nasdaq or a successor quotation system, the Fair Market Value of a Share shall be determined by the Committee using a method that is consistent with the requirements of Code section 409A. If, upon exercise of an Option, the exercise price is paid by a broker's transaction as provided in subsection 7.2(g)(ii)(D), Fair Market Value, for purposes of the exercise, shall be the price at which the Stock is sold by the broker.
- (l) "**Incentive Option**" means an Option designated as such and granted in accordance with Code section 422.
- (m) "**Non-Qualified Option**" means any Option other than an Incentive Option.
- (n) "**Option**" means a right to purchase Stock at a stated or formula price for a specified period of time. Options granted under the Plan shall be either Incentive Options or Non-Qualified Options.
- (o) "**Option Agreement**" shall have the meaning given to such term in Section 7.2 hereof.
- (p) "**Option Holder**" means a Participant who has been granted one or more Options under the Plan.
- (q) "**Option Period**" means the period of time, determined by the Committee, during which an Option may be exercised by the Option Holder.
- (r) "**Option Price**" means the price at which each share of Stock subject to an Option may be purchased, determined in accordance with subsection 7.2(b).
- (s) "**Participant**" means an Eligible Employee or Eligible Consultant designated by the Committee from time to time during the term of the Plan to receive one or more Options under the Plan.
- (t) "**Retirement**" means termination of services for the Company on or after the Participant's 65th birthday, termination of services for the Company pursuant to an early retirement provision in an employment agreement between the Company and the Participant, or voluntary termination of services for the Company by an officer of the Company who has served as an officer of the Company for twenty (20) or more years.
- (u) "**Securities Act**" means the Securities Act of 1933, as it may be amended from time to time.
- (v) "**Share**" means one whole share of Stock.
- (w) "**Stock**" means the \$0.01 par value common stock of UQM Technologies, Inc.
- (x) "**UQM**" means UQM Technologies, Inc., a Colorado corporation, and any successor thereto.

2.2 Gender and Number . Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of

any term herein in the singular shall also include the plural.

ARTICLE III

PLAN ADMINISTRATION

3.1 **General** . The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees and Eligible Consultants, determine the Options to be granted pursuant to the Plan, fix the Option Price, Option Period and manner in which an Option becomes exercisable, as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the agreements with Participants that shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein; provided, however, that Eligible Consultants shall not be eligible to receive Incentive Options. The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement entered into hereunder in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

3.2 **Delegation by Committee** . The Committee may, from time to time, delegate, to a specified officer or officers of the Company, the power and authority to grant Options under the Plan to specified groups of Eligible Employees and Eligible Consultants, subject to such restrictions and conditions as the Committee, in its sole discretion, may impose. The delegation shall be as broad or as narrow as the Committee shall determine. To the extent that the Committee has delegated the authority to determine certain terms and conditions of an Option, all references in the Plan to the Committee's exercise of authority in determining such terms and conditions shall be construed to include the officer or officers to whom the Committee has delegated the power and authority to make such determination. The power and authority to grant Options to any Eligible Employee or Eligible Consultant who is covered by Section 16(b) of the Exchange Act or who is, or is expected to be, covered by Code section 162(m) shall not be delegated by the Committee.

ARTICLE IV

STOCK SUBJECT TO THE PLAN

4.1 **Number of Shares** . The maximum aggregate number of Shares that may be issued under the Plan pursuant to Options is _____ Shares. The maximum number of Shares that may be issued under Incentive Options is _____ Shares. The Shares may be either authorized and unissued Shares or previously issued Shares acquired by the Company. Such maximum numbers may be increased from time to time by approval of the Board and by the shareholders of the Company if, in the opinion of counsel for the Company, shareholder approval is required. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock at least the number of Shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 **Limit on Option Grants** . The maximum number of Shares with respect to which a Participant may receive Options under the Plan in any calendar year is 500,000 Shares. The maximum number may be increased from time to time by approval of the Board and by the shareholders of the Company. No Options may be granted with respect to any increased number of Shares until such increase has been approved by the shareholders. Shareholder approval shall not be required for increases solely pursuant to Section 4.4 below.

4.3 **Share Counting** . Any Shares that are subject to an Option that expires or for any reason is terminated unexercised, and any Shares withheld for the payment of taxes or received by the Company as payment of the exercise price of an Option shall automatically become available for use under the Plan, provided, however, that no more than _____ Shares may be issued under Incentive Options.

4.4 **Adjustments for Stock Split, Stock Dividend, Etc.** If the Company shall at any time increase or decrease the number of its outstanding Shares or change in any way the rights and privileges of such Shares by means of the payment of a stock dividend or any other distribution upon such Shares payable in Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the Shares as to which Options may be granted under the Plan, (ii) the Shares then included in each outstanding Option granted hereunder, (iii) the maximum number of Shares available for grant to any one person in a calendar year pursuant to Section 4.2, (iv) the maximum number of Shares available for grant pursuant to Incentive Options, and (v) the number of Shares subject to a delegation of authority under Section 3.2 of this Plan.

4.5 **General Adjustment Rules** . No adjustment or substitution provided for in this ARTICLE IV shall require the Company to sell a fractional Share under any Option, or otherwise issue a fractional Share, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional Share. In the case of any such substitution or adjustment, the aggregate Option Price for the total number of Shares then subject to an Option shall remain unchanged but the Option Price per Share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of Shares or other securities into which the Stock subject to the Option may have been changed and all such adjustments shall be completed pursuant to the rules of Code section 424 and the regulations promulgated thereunder. Notwithstanding the provisions of this ARTICLE IV, no Option shall be adjusted in a manner that will cause the Option Price ever to be less than the Fair Market Value of the Stock on the date the Option was granted or that will cause the Option to become subject to Code section 409A. Any and all adjustments or changes in number or kind of Shares subject to an Option and the exercise price for the Option shall comply with the requirements of Code section 409A. Notwithstanding the foregoing, upon the occurrence of any event contemplated by this ARTICLE IV, any changes contemplated herein shall, in the sole discretion of the Committee, be modified to the minimum extent necessary to avoid any acceleration of income or tax that may otherwise become due under Code section 409A.

4.6 **Determination by the Committee, Etc.** Adjustments under this ARTICLE IV shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties thereto.

ARTICLE V

CORPORATE REORGANIZATION; CHANGE IN CONTROL

5.1 Vesting and Termination of Options . Unless the Committee provides otherwise at the time an Option is granted, upon the occurrence of a Corporate Transaction (as defined in Section 5.3), all Options shall become fully exercisable regardless of whether all conditions of exercise relating to length of service, attainment of financial performance goals or otherwise have been satisfied. The Committee may also provide for the assumption or substitution of any or all Awards as described in Section 5.2 and make any other provision for outstanding Awards as the Committee deems appropriate. The Committee may provide that any Options that are outstanding at the time the Corporate Transaction is closed shall expire at the time of the closing. The Committee need not take the same action with respect to all outstanding Options.

5.2 Assumption or Substitution of Options . The Company, or the successor or purchaser, as the case may be, may make adequate provision for the assumption of the outstanding Options or the substitution of new options for the outstanding Options on terms comparable to the outstanding Options. Any assumption or substitution of Options shall comply with the requirements of Code sections 409A and 424. Notwithstanding the foregoing, upon the occurrence of any event contemplated by this ARTICLE V, any changes contemplated herein shall, in the sole discretion of the Committee, be modified to the minimum extent necessary to avoid any acceleration of income or tax that may otherwise become due under Code section 409A.

5.3 Corporate Transaction . A Corporate Transaction shall include the following:

(a) *Merger; Reorganization*: the merger or consolidation of the Company with or into another corporation or other reorganization (other than a reorganization under the United States Bankruptcy Code) of the Company (other than a consolidation, merger, or reorganization in which the Company is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Stock); or

(b) *Sale*: the sale or conveyance of the property of the Company as an entirety or substantially as an entirety (other than a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct the business or businesses formerly conducted by the Company) or the sale of more than 50% of the outstanding voting stock of the Company;

(c) *Liquidation*: the dissolution or liquidation of the Company;

(d) *Change in Control*: A "Change in Control" shall be deemed to have occurred if at any time during any period of two consecutive years (including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof; or

(e) *Other Transactions*: any other transaction that the Board determines by resolution to be a Corporate Transaction.

ARTICLE VI

PARTICIPATION

Participants in the Plan shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company, and significantly contribute, or are expected to significantly contribute, to the achievement of long-term corporate economic objectives. Eligible Consultants shall be selected from those non-Employee consultants to the Company who are performing services important to the operation and growth of the Company. Participants may be granted from time to time one or more Options; provided, however, that the grant of each such Option shall be separately approved by the Committee and receipt of one Option shall not result in automatic receipt of any other Option. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights and duties. Options shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

ARTICLE VII

OPTIONS

7.1 Grant of Options . Coincident with or following designation for participation in the Plan, a Participant may be granted one or more Options. The Committee in its sole discretion shall designate whether an Option is an Incentive Option or a Non-Qualified Option; provided, however, that Eligible Consultants may not be granted Incentive Options. The Committee may grant both an Incentive Option and a Non-Qualified Option to an Eligible Employee at the same time or at different times. Incentive Options and Non-Qualified Options, whether granted at the same time or at different times, shall be deemed to have been awarded in separate grants and shall be clearly identified, and in no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares for which any other Option may be exercised. An Option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

7.2 Stock Option Agreements . Each Option granted under the Plan shall be evidenced by a written stock option certificate or agreement (an "Option Agreement"). An Option Agreement shall be issued by the Company in the name of the Participant to whom the Option is granted and in such form as may be approved by the Committee. The Option Agreement shall incorporate and conform to the conditions set forth in this Section 7.2 as well as such other terms and conditions that are not inconsistent as the Committee may consider appropriate in each case.

(a) *Number of Shares*. Each Option Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(b) *Price*. The price at which each share of Stock covered by an Option may be purchased shall be no less than 100 percent of the Fair Market Value of the Stock on the date the Option is granted.

(c) *Duration of Options; Restrictions on Exercise*. Each Option Agreement shall state the Option Period. The Option Period must end, in all cases, not more than ten years from the date the Option is granted. The Option Agreement shall also set forth any installment or other restrictions

on exercise of the Option during such period, if any, as may be determined by the Committee. Each Option shall become exercisable and vest over such period of time, if any, or upon such events, as determined by the Committee.

(d) *Eligible Employees: Termination of Services, Death, Disability, Etc.* The Committee may specify the period, if any, during which an Option may be exercised following termination of the Option Holder's services. The effect of this subsection 7.2(d) shall be limited to determining the consequences of a termination and nothing in this subsection 7.2(d) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any individual's services. If the Committee does not otherwise specify, the following shall apply:

(i) If the services of the Option Holder are terminated within the Option Period for "cause", as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subsection 7.2(d), "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures.

(ii) If the Option Holder becomes Disabled, the Option may be exercised by the Option Holder within one year following the Option Holder's termination of services on account of Disability (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Option Holder's termination of services because of Disability.

(iii) If the Option Holder dies during the Option Period while still performing services for the Company or within the one year period referred to in (ii) above or the three-month period or, in the case of Non-Qualified Options, the twelve-month period, referred to in (iv) below, the Option may be exercised by those entitled to do so under the Option Holder's will or by the laws of descent and distribution within one year following the Option Holder's death, (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date of the Option Holder's death.

(iv) If the Option Holder terminates employment on account of Retirement during the Option Period, the Option may be exercised by the Option Holder as follows: (A) in the case of an Incentive Option, within three (3) months after Retirement (provided that the exercise must occur within the Option Period), but not thereafter, and (B) in the case of a Non-Qualified Option, during the remainder of the Option Period, but not thereafter. In any such case, the Option shall become fully vested and may be exercised as to the all Shares remaining subject to the Option on the date of Retirement.

(v) If the services of the Option Holder are terminated (which for this purpose means that the Option Holder is no longer employed by the Company or performing services for the Company) by the Company within the Option Period for any reason other than cause, Disability, death, or Retirement, the Option may be exercised by the Option Holder as follows: (A) in the case of an Incentive Option, within three (3) months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter and (B) in the case of a Non-Qualified Option, within twelve (12) months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date of termination of services.

(e) *Eligible Independent Contractors: Termination of Services, Death.* Each Option agreement shall provide as follows with respect to the exercise of the Option:

(i) If the services of the Option Holder terminate within the Option Period other than on account of cause or the Option Holder's death, the Option may be exercised during the remainder of the Option Period. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date of termination of services.

(ii) If the services of the Option Holder terminate within the Option Period for "cause," as determined by the Company, the Option shall thereafter be void for all purposes; provided however, that if the agreement between the Company and an Independent Contractor provides for termination of the agreement for "cause," the term "cause" for purposes of this subsection shall have the same meaning as in such agreement.

(iii) If the Option Holder dies during the Option Period, the Option may be exercised by those entitled to do so under the Option Holder's will or by the laws of descent and distribution for fifteen (15) months after the Option Holder's death (if otherwise in the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the Shares as to which the Option had become exercisable on or before the date of the Option Holder's death.

(f) *Consideration for Grant of Option.* Each Option Holder agrees to remain in the employment of the Company or to continue providing consulting services to the Company, as the case may be, at the pleasure of the Company, for a continuous period of at least one year after the date the Option is granted, at the rate of compensation in effect on the date of such agreement or at such changed rate as may be fixed, from time to time, by the Company. Nothing in this paragraph shall limit or impair the Company's right to terminate the employment of any employee or to terminate the consulting services of any consultant.

(g) *Exercise, Payments, Etc.*

(i) *Manner of Exercise.* The method for exercising each Option granted hereunder shall be by delivery to the Company of written notice specifying the number of Shares with respect to which such Option is exercised. The purchase of such Shares shall take place at the principal offices of the Company within thirty (30) days following delivery of such notice, at which time the Option Price of the Shares shall be paid in full by any of the methods set forth below or a combination thereof. Except as set forth in the next sentence, the Option shall be exercised when the Option Price for the number of shares as to which the Option is exercised is paid to the Company in full. If the Option Price is paid by means of a broker's transaction described in subsection 7.2(g)(ii)(ii)(D) in whole or in part, the closing of the purchase of the Stock under the Option shall take place (and the Option shall be treated as exercised) on the date on which, and only if, the sale of Stock upon which the broker's transaction was based has been closed and settled, unless the Option Holder makes an irrevocable written election, at the time of exercise of the Option, to have the exercise treated as fully effective for all purposes upon receipt of the Option Price by the Company regardless of whether or not the sale of the Stock by the

broker is closed and settled. A properly executed certificate or certificates representing the Shares shall be delivered to or at the direction of the Option Holder upon payment therefor. If Options on less than all shares evidenced by an Option Certificate are exercised, the Company shall deliver a new Option Certificate evidencing the Option on the remaining shares upon delivery of the Option Certificate for the Option being exercised.

(ii) The exercise price shall be paid by any of the following methods or any combination of the following methods at the election of the Option Holder, or by any other method approved by the Committee upon the request of the Option Holder:

(A) in cash;

(B) by certified check, cashier's check or other check acceptable to the Company, payable to the order of the Company;

(C) by delivery to the Company of certificates representing the number of shares then owned by the Option Holder, the Fair Market Value of which equals the purchase price of the Stock purchased pursuant to the Option, properly endorsed for transfer to the Company; provided however, that no Option may be exercised by delivery to the Company of certificates representing Stock, unless (I) such Stock has been held by the Option Holder for more than six (6) months and (II) in the case of Stock acquired through the exercise of an Incentive Option, the Stock has been held by the Option Holder for more than two (2) years after the date the Incentive Option was granted and more than twelve (12) months after the date the Incentive Option was exercised; for purposes of this Plan, the Fair Market Value of any shares of Stock delivered in payment of the purchase price upon exercise of the Option shall be the Fair Market Value as of the exercise date; the exercise date shall be the day of delivery of the certificates for the Stock used as payment of the Option Price; or

(D) by delivery to the Company of a properly executed notice of exercise together with irrevocable instructions to a broker to deliver to the Company promptly the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Option Holder required to pay the Option Price.

(h) *Date of Grant.* An Option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

(i) *Withholding.* Upon exercise of a Non-Qualified Option, the Option Holder shall make appropriate arrangements with the Company to provide for the amount of additional withholding required by Code sections 3102 and 3402 and applicable state and local tax laws, including payment of such taxes by withholding Stock to be issued under the Non-Qualified Option, as provided in ARTICLE XII.

7.3 Restrictions on Incentive Options .

(a) *Initial Exercise.* The aggregate Fair Market Value of the Shares with respect to which Incentive Options are exercisable for the first time by an Option Holder in any calendar year, under the Plan or otherwise, shall not exceed \$100,000. For this purpose, the Fair Market Value of the Shares shall be determined as of the date of grant of the Incentive Option and Incentive Options shall be taken into account in the order granted.

(b) *Ten Percent Shareholders.* Incentive Options granted to an Option Holder who is the holder of record of 10% or more of the outstanding Stock of the Company shall have an Option Price equal to 110% of the Fair Market Value of the Shares on the date of grant of the Incentive Option and the Option Period for any such Option shall not exceed five (5) years.

7.4 Transferability .

(a) *General Rule: No Lifetime Transfers.* An Option shall not be transferable by the Option Holder except by will or pursuant to the laws of descent and distribution. An Option shall be exercisable during the Option Holder's lifetime only by him or her, or in the event of Disability or incapacity, by his or her guardian or legal representative. The Option Holder's guardian or legal representative shall have all of the rights of the Option Holder under this Plan.

(b) *InterVivos Transfer to Certain Family Members.* The Committee may, however, provide at the time of grant or thereafter that the Option Holder may transfer a Non-Qualified Option to a member of the Option Holder's immediate family, a trust of which members of the Option Holder's immediate family are the only beneficiaries, or a partnership of which members of the Option Holder's immediate family or trusts for the sole benefit of the Option Holder's immediate family are the only partners (the "InterVivos Transferee"). Immediate family means the Option Holder's spouse, issue (by birth or adoption), parents, grandparents, siblings (including half brothers and sisters and adopted siblings) and nieces and nephews. No transfer shall be effective unless the Option Holder shall have notified the Company of the transfer in writing and has furnished a copy of the documents that effect the transfer to the Company. The InterVivos Transferee shall be subject to all of the terms of this Plan and the Option, including, but not limited to, the vesting schedule, termination provisions, and the manner in which the Option may be exercised. The Committee may require the Option Holder and the InterVivos Transferee to enter into an appropriate agreement with the Company providing for, among other things, the satisfaction of required tax withholding with respect to the exercise of the transferred Option and the satisfaction of any Stock retention requirements applicable to the Option Holder, together with such other terms and conditions as may be specified by the Committee. Except to the extent provided otherwise in such agreement, the InterVivos Transferee shall have all of the rights and obligations of the Option Holder under this Plan; provided that the InterVivos Transferee shall not have any Stock withheld to pay withholding taxes pursuant to Section 17.2 unless the agreement referred to in the preceding sentence specifically provides otherwise.

(c) *No Transfer of ISOs.* During the Option Holder's lifetime the Option Holder may not transfer an Incentive Option under any circumstances.

(d) *No Assignment.* No right or interest of any Option Holder in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Option Holder, either voluntarily or involuntarily, or be subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy, except as set forth above.

7.5 No Repricing . Except in connection with a corporate transaction involving the Company (including, without limitation, adjustments described in Sections 4.4 and 4.5 and transactions described in ARTICLE V), the Committee or the Company shall not, without the prior approval of the shareholders of

the Company, (a) amend the terms of any outstanding Option to reduce the option price, (b) cancel any outstanding Option and replace it with a new Option with a lower exercise price where the economic effect would be the same as reducing the option price of the cancelled Option, (c) cancel any outstanding Option in exchange for cash, or (d) take any other action with respect to an Option that would be treated as a "repricing" under the accounting rules or under the rules of the Securities and Exchange Commission.

7.6 Shareholder Privileges . No Option Holder shall have any rights as a shareholder with respect to any shares of Stock covered by an Option until the Option Holder becomes the holder of record of such Stock, and no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date such Option Holder becomes the holder of record of such Stock, except as provided in ARTICLE IV.

ARTICLE VIII

RIGHTS OF PARTICIPANTS

8.1 Service . Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his employment by, or consulting relationship with, the Company, or interfere in any way with the right of the Company, subject to the terms of any separate employment agreement or other contract to the contrary, at any time to terminate such services or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of service shall be determined by the Committee at the time.

8.2 No Plan Funding . Obligations to Participants under the Plan will not be funded, trustee, insured or secured in any manner. The Participants under the Plan shall have no security interest in any assets of the Company, and shall be only general creditors of the Company.

ARTICLE IX

GENERAL RESTRICTIONS

9.1 Investment Representations . The Company may require any person to whom an Option is granted, as a condition of exercising such Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with Federal and applicable state securities laws. Legends evidencing such restrictions may be placed on the Stock certificates.

9.2 Compliance with Securities Laws . Each Option grant shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such Option grant upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such Option grant may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

9.3 Changes in Accounting Rules . Except as provided otherwise at the time an Option is granted, notwithstanding any other provision of the Plan to the contrary, if, during the term of the Plan, any changes in the financial or tax accounting rules applicable to Options shall occur which, in the sole judgment of the Committee, may have a material adverse effect on the reported earnings, assets or liabilities of the Company, the Committee shall have the right and power to modify as necessary, any then outstanding and unexercised Options as to which the applicable services or other restrictions have not been satisfied.

9.4 Tax Laws. Except as provided otherwise at the time an Option is granted, notwithstanding any other provision of the Plan to the contrary, if, during the term of the Plan, any changes in the tax laws or regulations applicable to any Options or to any Participants shall occur which, in the sole judgment of the Committee, may have a material adverse effect on the items of income, gain, loss, or deduction of the Company for tax purposes, the Committee shall have the right and power to modify as necessary any then outstanding Options as to which the applicable services or other restrictions have not been satisfied. In particular, the Committee shall have the right and power to modify any outstanding Options as necessary to satisfy the requirements of Code section 409A. Any Option that is intended to be treated as "performance-based compensation" under Code section 162(m) shall be granted, administered and paid in compliance with the requirements of Code section 162(m).

ARTICLE X

OTHER EMPLOYEE BENEFITS

The amount of any compensation deemed to be received by a Participant as a result of the exercise of an Option shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such employee are determined, including without limitation benefits under any pension, profit sharing, 401(k), life insurance or salary continuation plan.

ARTICLE XI

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the shareholders if shareholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that shareholder approval is otherwise necessary or desirable.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Options theretofore granted under the Plan, without the consent of the Participant holding such Options.

ARTICLE XII

WITHHOLDING

The Company's obligations to deliver shares of Stock upon the exercise of any Option shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements. The Company shall have the right to deduct from payments of any kind due to a Participant any federal, state, or local taxes, domestic or foreign, of any kind required by law with respect to the vesting of or other lapse of restrictions applicable to Options. Upon the exercise of any Option, the Option Holder shall make arrangements to pay all applicable withholding taxes in cash. If the Option Holder has not made arrangements satisfactory to the Company to pay the withholding in cash, the Company shall withhold a sufficient number of shares to satisfy the Company's minimum statutory withholding obligation for any taxes incurred as a result of such vesting (based on the minimum withholding rates for federal and state tax purposes, including payroll taxes).

ARTICLE XIII

REQUIREMENTS OF LAW

13.1 **Requirements of Law** . The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

13.2 **Federal Securities Law Requirements** . If a Participant is an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule promulgated under the Exchange Act, to qualify the Option for any exception from the provisions of Section 16(b) of the Exchange Act available under that Rule. Such conditions shall be set forth in the agreement with the Participant which describes the Option or other document evidencing or accompanying the Option.

13.3 **Governing Law** . The Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the State of Colorado.

ARTICLE XIV

DURATION OF THE PLAN

Unless sooner terminated by the Board of Directors, the Plan shall terminate at the close of business on April 10, 2022 and no Option shall be granted, or offer to purchase Stock made, after such termination. Options outstanding at the time of the Plan termination may continue to be exercised, or become free of restrictions, or paid, in accordance with their terms.

UQM TECHNOLOGIES, INC.

By: _____

Name:

Title:

Date:

**UQM TECHNOLOGIES, INC.
STOCK BONUS PLAN**

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT made as of this ____ day of _____, 20__ between UQM TECHNOLOGIES, INC., a Colorado corporation (together with its Affiliated Corporations, except where the context requires otherwise, the "Company"), and _____ (the "Grantee").

1. **Grant of Restricted Stock** . Pursuant to the UQM Technologies, Inc. Stock Bonus Plan (the "Plan") and subject to the terms and conditions of this Agreement, the Company hereby grants to the Grantee _____ shares of the common stock of the Company (the "Restricted Stock"), effective as of _____, 20__ (the "Transfer Date"), with a Fair Market Value of \$____ per share as of the Transfer Date.

2. **Restrictions** . The Grantee shall not sell, assign, transfer by gift or otherwise, pledge, hypothecate, or otherwise dispose of, by operation of law or otherwise, the Shares for the period commencing on the Transfer Date and ending on the dates the restrictions described in Section 3(a) lapse (the "Expiration Date"), except as otherwise provided in Section 3(c) or as otherwise permitted by this Agreement or the terms of the Plan.

3. **Vesting; Lapse of Restrictions; Transferability** .

(a) **General** . Except as provided otherwise in this Agreement, if the Grantee has been employed by the Company continuously since the Transfer Date, the Restricted Stock shall vest in increments if the Grantee is still in the employ of the Company on the dates indicated in the following schedule:

Employment Vesting Date	Percentage of Shares That Shall Become Vested on Each Date
August 2, 2007	33 - 1/3 %
August 2, 2008	an additional 33 - 1/3%
August 2, 2009	an additional 33 - 1/3%

The number of shares of Restricted Stock that are vested shall be cumulative, so that once a share of Restricted Stock shall become vested, it shall continue to be vested.

(b) **Transfer Upon Lapse of Restrictions** . After the restrictions described in Section 2 and subsection 3(a) have lapsed, the Grantee may sell, assign by gift or otherwise, hypothecate, or otherwise dispose of, by operation of law or otherwise, any of the formerly Restricted Stock at the Grantee's discretion, except that the Grantee agrees that he shall not make any sale or transfer of the formerly Restricted Stock that would conflict with or violate any of the provisions of the Securities Act of 1933 or any applicable state securities laws.

(c) **Vesting and Transferability Upon Change in Control** . Upon the occurrence of a Change in Control Event, as defined in the Plan, the restrictions set forth in Section 2 and subsection 3(a) shall lapse in their entirety, and the Restricted Stock shall become fully vested and freely transferable as described in subsection 3(b) above, except that the Grantee agrees that he shall not make any sale or transfer of the formerly Restricted Stock that would conflict with or violate any of the provisions of the Securities Act of 1933 or any applicable state securities laws.

4. **Termination of Employment** .

(a) **Death or Disability** . If the Grantee terminates employment or services with the Company on account of death or Disability (as defined in the Plan) prior to the lapse of all restrictions, a *pro rata* portion of the Restricted Stock that would have vested in the 12-month employment vesting period of termination of employment shall become vested based on the ratio between (i) the number of full months of employment completed from August 2 of the period in which the termination of employment occurs to the date of termination of employment and (ii) twelve (12). The Grantee or the Grantee's personal representative, as the case may be, shall immediately transfer and assign to the Company, without the requirement of any consideration from the Company, all shares of Restricted Stock that have not become vested pursuant to this subsection 4 (a).

(b) **Retirement** . If the Grantee terminates employment with the Company on account of Retirement (as defined in the Plan) prior to the lapse of all restrictions, all shares of the Restricted Stock as to which the restrictions shall not otherwise have lapsed shall become vested.

(c) **Other Terminations** . If the Grantee ceases performing services for the Company for any reason other than death, Disability, or Retirement prior to the lapse of all restrictions, the Grantee shall immediately transfer and assign to the Company, without the requirement for any consideration from the Company, all shares of Restricted Stock as to which the restrictions have not otherwise lapsed.

5. **Delivery of Unvested Shares** . If the Grantee or the Grantee's representative is required to transfer some or all of the shares of Restricted Stock to the Company pursuant to Section 4 hereof, the shares shall be tendered promptly to the Company by the delivery of certificates for such shares, duly endorsed in blank by the Grantee or the Grantee's representative or with stock powers attached thereto duly endorsed, at the Company's principal offices, all in form suitable for the transfer of such shares to the Company without the payment of any consideration therefor by the Company. After the time at which any such shares are required to be delivered to the Company for transfer to the Company, the Company shall not pay any dividend to the Grantee on account of such shares or permit the Grantee to exercise any of the privileges or rights of a stockholder with respect to such shares but shall, in so far as permitted by law, treat the Company as owner of such shares.

6. **Effect of Prohibited Transfer** . If any transfer of Shares is made or attempted to be made contrary to the terms of this Agreement, the Company shall have the right to acquire for its own account, without the payment of any consideration therefor, such shares from the owner thereof or his transferee, at any time before or after such prohibited transfer. In addition to any other legal or equitable remedies it may have, the Company may enforce its rights to specific performance to the extent permitted by law and may exercise such other equitable remedies then available to it. The Company may refuse for any purpose to recognize any transferee who receives shares contrary to the provisions of this Agreement as a stockholder of the Company and may retain and/or recover all dividends on such shares that were paid or payable subsequent to the date on which the prohibited transfer was made or attempted.

7. **Enforcement of Restrictions** .

(a) **Legend** . All certificates representing Restricted Stock shall have affixed thereto the following legend:

"The shares of Stock represented by this certificate are subject to all of the terms of a Restricted Stock Agreement between UQM Technologies, Inc. (the "Company") and the registered owner ("Owner") of this Certificate (the "Agreement") and to the terms of the UQM Technologies, Inc. Stock Bonus Plan (the "Plan"). Copies of the Agreement and the Plan are on file at the office of the Company. The Agreement, among other things, limits the right of the Owner to transfer the shares represented by this Certificate and provide in certain circumstances that all or a portion of the shares must be returned to the Company."

(b) **Custody of Certificates** . The Company may, in its sole discretion, require the Grantee to keep the certificate the shares of Restricted Stock, duly endorsed, in the custody of the Company while the shares are subject to the restrictions contained in Sections 2 and 3. The Company may, in its sole discretion, require the Grantee to keep the certificate the shares of Restricted Stock, duly endorsed, in the custody of a third party while the shares are subject to the restrictions contained in Sections 2 and 3.

8. **Adjustments to the Stock** .

(a) **Adjustment by Stock Split, Stock Dividend, Etc** . If at any time the Company increases or decreases the number of its outstanding shares of Company common stock, or changes in any way the rights and privileges of such shares, by means of the payment of a stock dividend or the making of any other distribution on such shares payable in Company common stock, or through a stock split or subdivision of shares, or a consolidation or combination of shares, or through a reclassification or recapitalization involving the Company common stock, the numbers, rights and privileges of the shares of Restricted Stock shall be increased, decreased or changed in like manner as if such shares had been issued and outstanding, fully paid and non-assessable at the time of such occurrence.

(b) **General Adjustment Rules** . No adjustment or substitution provided for in Section 8 or Section 9 shall require the Company to issue a fractional Share, and the total substitution or adjustment with respect to the Restricted Stock shall be limited by deleting any fractional Share. If the Restricted Stock is covered by Code section 409A, the parties intend that any and all adjustments under this Agreement shall be made in a manner that is consistent with Code section 409A.

9. **Reorganization and Change in Control** .

(a) **Full Vesting** . Upon the occurrence of a Change in Control Event (as defined in subsection 9(b)), the Restricted Stock shall become fully vested and transferable regardless of whether all conditions for vesting and transferability relating to length of service have been satisfied.

(b) **Change in Control Event** . The term "Change in Control Event" shall have the meaning provided in the Plan.

10. **Withholding** . Upon vesting of any number of the shares of Restricted Stock, the Grantee shall make appropriate arrangements with the Company to make payment to the Company of the amount required to be withheld under applicable federal, state, local, and other tax laws (collectively, "Withholding Taxes"). The Grantee shall pay such Withholding Taxes in cash. If the Grantee has not made arrangements satisfactory to the Company to pay the Withholding Taxes in cash, the Company shall withhold a sufficient number of shares to satisfy the Company's minimum statutory withholding obligation for any taxes incurred as a result of such vesting (based on the minimum withholding rates for federal and state tax purposes, including payroll taxes).

11. **Miscellaneous** .

(a) **Notices** . Any notice required or permitted to be given under this Agreement shall be in writing and shall be given by first class registered or certified mail, postage prepaid, or by personal delivery to the appropriate party, addressed:

(i) If to the Company, to UQM Technologies, Inc., Attention: Corporate Secretary, 7501 Miller Drive, Frederick, Colorado 80530, or at such other address as may have been furnished to the Grantee in writing by the Company; or

(ii) If to the Grantee, to the Grantee at UQM Technologies, Inc., 7501 Miller Drive, Frederick, Colorado 80530, or at other address as may have been furnished to the Company by the Grantee.

Any such notice shall be deemed to have been given as of the second day after deposit in the United States mails, postage prepaid, properly addressed as set forth above, in the case of mailed notice, or as of the date delivered in the case of personal delivery.

(b) **Amendment** . Except as provided herein, this Agreement may not be amended or otherwise modified unless evidenced in writing and signed by the Company and the Grantee.

(c) **Defined Terms** . Capitalized terms shall have the meaning set forth in the Plan or herein, as the case may be.

(d) **Construction; Severability** . The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(e) **Waiver**. Any provision contained in this Agreement may be waived, either generally or in any particular instance, by the Committee appointed under the Plan, but only to the extent permitted under the Plan.

(f) **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the Company and the Grantee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

(g) **Rights to Employment**. Nothing contained in this Agreement shall be construed as giving the Grantee any right to be retained in the employ of the Company and this Agreement is limited solely to governing the rights and obligations of the Grantee with respect to the Restricted Stock.

(h) **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

UQM TECHNOLOGIES, INC.

By _____

GRANTEE

[Name of Grantee]

UQM TECHNOLOGIES, INC.
STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS
Effective November 1, 1993

Amended and Restated, Effective November 2, 2011

UQM TECHNOLOGIES, INC.
STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

The board of directors of UQM Technologies, Inc. (formerly known as Unique Mobility, Inc.), a Colorado corporation (the "Company"), established the Unique Mobility, Inc. Stock Option Plan for Non-Employee Directors (the "Plan"), effective November 1, 1993 (the "Effective Date"). The name of the Plan is changed to UQM Technologies, Inc. Stock Option Plan for Non-Employee Directors and the Plan is hereby amended and restated, effective November 2, 2011.

PURPOSES

The purposes of the Plan are to provide certain directors of the Company who are not also employees of the Company added incentive to continue in the service of the Company and a more direct interest in the future success of the operations of the Company by granting to such directors options ("Options") to purchase shares of the \$0.01 par value common stock (the "Stock") of the Company upon the terms and conditions described below.

ARTICLE I

GENERAL

1.1 Definition. For purposes of the Plan and as used herein, a "non-employee director" is an individual who (a) is a member of the Board of Directors of the Company (the "Board") and (b) is not an employee of the Company. For purposes of the Plan, an employee is an individual whose wages are subject to the withholding of federal income tax under section 3401 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). A non-employee director to whom an Option is granted is referred to herein as a "Holder."

1.2 Nature of Options. The Options granted hereunder shall be options that do not satisfy the requirements of section 422 of the Code.

ARTICLE II

OPTIONS

2.1 Participation. The non-employee directors on the Effective Date and each non-employee director elected thereafter shall receive Options to purchase Stock in accordance with Sections 2.2 and 2.3 on the terms and conditions herein described.

2.2 Election.

(a) General. Pursuant to resolutions of the Board, the Company pays each non-employee director an annual retainer for the approximately 12-month period of service commencing on the date for the regularly scheduled annual meeting of the shareholders and ending at the close of business on the day before the date for the regularly scheduled annual meeting of the shareholders in the following calendar year. This 12-month period shall be referred to as a "Period of Service." Prior to the commencement of a non-employee director's Period of Service, the non-employee director may elect, as provided in this section 2.2, to receive all of the non-employee director's annual retainer for the Period of Service in the form of a grant of Options pursuant to this Plan. A non-employee director who does not make a timely election shall be deemed to have elected to receive all of his annual retainer for the Period of Service in cash.

(b) Elections. No later than six months prior to the first day of a Period of Service, each individual who is then a non-employee director shall make an election to receive all of his annual retainer as a director for such Period of Service in the form of cash or in the form of a grant of Options pursuant to this Plan. The election must be in writing and must be delivered to the Secretary of the Company no later than the close of business on the date that is six months prior to the first day of the Period of Service for which the election is made. A non-employee director who does not timely file an election shall be deemed to have elected to receive all of his annual retainer for such Period of Service in cash.

(c) Newly Elected Directors. Each individual who is newly elected to the Board may elect, within 30 days of his election to the Board, to receive all of his annual retainer for his first Period of Service in cash or in the form of a grant of Options under this Plan. The election must be in writing and must be delivered to the Secretary of the Company no later than the close of business on the thirtieth day after the non-employee director's election to the Board. A non-employee director who does not timely file an election shall be deemed to have elected to receive all of his annual retainer for such Period of Service in cash.

2.3 Grant.

(a) *General.* Each non-employee director who has elected to receive his annual retainer for a Period of Service in the form of an Option shall be granted an Option to purchase shares of Stock on the date of the annual meeting of the Company's shareholders with respect to such Period of Service, on the terms and conditions set forth in this Plan. Each Option pursuant to this Section 2.3(b) shall entitle the non-employee director to purchase the number of shares of Stock determined by resolution of the Board no later than the date by which the non-employee directors must make their elections, unless insufficient shares are available for grant to each electing director on such date, in which case each such director shall automatically receive an option to purchase his *pro rata* portion of the shares that are then available for grant under the Plan.

(b) *Initial Grants to Newly Elected Directors.* Each newly elected non-employee director who has elected to receive his annual retainer for his first Period of Service in the form of an Option shall be granted an Option to purchase shares of Stock on the date that is six months after the date of his election to receive an Option, on the terms and conditions set forth in this Plan. Each Option granted pursuant to this Section 2.3(b) shall entitle the non-employee director to purchase the number of shares of Stock subject to Options granted for the Period of Service during which the newly elected director's service commences, unless insufficient shares are available for grant to each electing non-employee director on such date, in which case each such non-employee director shall automatically receive an option to purchase his *pro rata* portion of the shares that are then available for grant under the Plan. If the Period of Service for which the non-employee director was elected is shorter than 12 months, the number of shares subject to the Option shall be equal to the number of shares granted for the Period of Service during which the newly elected director's service commences, multiplied by a fraction, the numerator of which is the number of months in the Period of Service and the denominator of which is 12.

2.4 *Terms.* Options issued pursuant to the Plan shall have the following terms and conditions in addition to those set forth elsewhere herein:

(a) *Number.* Each non-employee director shall receive under the Plan Options to purchase the number of shares of Stock specified in Section 2.3, subject to adjustment as provided in Article III. Such grants shall be effective at the times specified in Section 2.3.

(b) *Price.* The price at which each share of Stock covered by the Option may be purchased by each non-employee director shall be not less than the Fair Market Value (as defined in Section 5.5) of the Stock on the date of grant (as determined under section 2.3(a) or 2.3(b), as applicable), subject to adjustment as provided in Article III.

(c) *Duration of Options.* The period within which each Option may be exercised shall expire ten years from the date the Option is granted (the "Option Period"), unless terminated sooner pursuant to subsection (d) below or fully exercised prior to the end of such period.

(d) *Termination of Service, Death, Etc.* The Option shall terminate in the following circumstances if the Holder ceases to be a director of the Company:

(i) If the Holder is removed as a director of the Company during the Option Period for cause, the Option shall be void thereafter for all purposes.

(ii) If the Holder ceases to be a director of the Company during the Option Period for any reason other than removal for cause, the Option shall be exercisable for the remainder of the Option Period, but not thereafter.

(e) *Transferability, Exercisability.* Each Option granted under the Plan shall not be transferable by a Holder other than by will or the laws of descent and distribution and shall be exercisable during the Holder's lifetime only by the Holder or, in the event of disability or incapacity, by the Holder's guardian or legal representative.

(f) *Exercise, Payments, etc.*

(i) The method of exercising each Option granted shall be by delivery to the Company of written notice specifying the number of shares with respect to which the Option is exercised. The purchase of Stock pursuant to the Option shall take place at the principal office of the Company within thirty days following delivery of such notice, at which time the purchase price of the Stock shall be paid in full by any of the methods set forth in Section 2.4(f)(ii) or a combination thereof. The Option shall be exercised when the purchase price is paid in full. If the purchase price is paid by means of a broker's loan transaction as described in clause (C) of Section 2.4(f)(ii), in whole or in part, the closing of the purchase of the Stock under the Option shall take place on the date on which, and only if, the sale of Stock upon which the broker's loan was based has been closed and settled, unless the Holder makes an irrevocable written election, at the time of exercise of the Option, to have the exercise treated as fully effective for all purposes upon receipt of the purchase price by the Company regardless of whether or not the sale of the Stock by the broker is closed and settled. A properly executed certificate or certificates representing the Stock shall be delivered to the Holder upon payment therefor. If Options on less than all shares evidenced by an Option Certificate are exercised, the Company shall deliver a new Option Certificate evidencing the Option on the remaining shares on delivery of the outstanding Option Certificate for the Option being exercised.

(ii) The exercise price shall be paid by any of the following methods or any combination of such methods, at the option of the Holder: (A) cash, or (B) certified, cashier's or check acceptable to the Company, payable to the order of the Company; or (C) delivery to the Company of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price of the Stock; or (D) delivery to the Company of certificates representing the number of shares of Stock then owned by the Holder, the Fair Market Value of which (determined as of the date the notice of exercise is delivered to the Company) equals the price of the Stock to be purchased pursuant to the Option, properly endorsed for transfer to the Company. No Option may be exercised by delivery to the Company of certificates representing Stock that has been held by the Holder for less than six months or such other period as shall be sufficient for the Company to avoid, if possible, the recognition of expense with respect to the Option for accounting purposes.

(g) *Vesting*. The Option shall be fully vested at all times.

(h) *No Repricing*. The Board or the Committee shall not, without the prior approval of the shareholders of the Company, cancel any outstanding Option and replace it with a new Option with a lower option price where the economic effect would be the same as reducing the option price of the cancelled Option or take any other action with respect to an Option that would be treated as a "repricing" under the accounting rules or under the rules of the Securities and Exchange Commission.

(i) *Compliance with Certain Company Policies*. The Holder shall comply at all times with the Company's policy on trading securities of the Company as such policy is in effect from time to time. In addition, the Holder agrees to sell no Stock (including Stock acquired otherwise than upon exercise of an Option) if the sale of such Stock, together with all other sales of Stock by any of the Company's directors, employees and consultants on any stock exchange or in the over-the-counter market, shall exceed 10% of the total trading volume of the Stock on the date of sale by the Holder on any stock exchange and in the over-the-counter market. If the Holder fails to comply with the Company's policy on trading securities, or violates the agreement made in the immediately preceding sentence, as determined in the sole discretion of the Company, the Holder shall pay to the Company as liquidated damages the profit realized (which shall be equal to the excess of the amount received by the Holder over the Holder's basis for the Stock disposed of) in the transaction that resulted in the failure to comply with the Company's policy. This condition shall survive the exercise of an Option and the termination of the Plan.

ARTICLE III

AUTHORIZED STOCK

3.1 *Number of Shares*. A total of 500,000 shares were originally authorized for issuance under the Plan in accordance with the provisions of the Plan. As of the effective date of this amendment and restatement, the authorization is increased by an additional 500,000 shares, for a total of 1 million authorized shares. Options granted with respect to the additional 500,000 shares may not be exercised until after the shareholders of the Company approve the authorization of the additional 500,000 shares. This authorization may be increased from time to time by approval of the Board and by the shareholders of the Company if, in the opinion of counsel for the Company, such shareholder approval is required. Shares that may be issued upon the exercise of Options shall be applied to reduce the maximum number of Shares remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock, or as treasury Stock, at least the number of Shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

3.2 *Unused and Forfeited Stock*. Any Shares that are subject to an Option under this Plan that are not used because the terms and conditions of the Option are met, including any shares that are subject to an Option that expires or is terminated for any reason shall automatically become available for use under the Plan. Any Shares that are used to pay the Option Price shall not become available for the grant of Options under the Plan.

3.3 *Adjustments for Stock Split, Stock Dividends, Etc.* If the Company shall at any time increase or decrease the number of its outstanding Shares or change in any way the rights and privileges of such Shares by means of the payment of a stock dividend or any other distribution upon such Shares payable in stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the Shares then subject to each outstanding Option.

3.4 *Dividend Payable in Stock of Another Corporation, Etc.* If the Company shall at any time pay or make any dividend or other distribution to the holders of Stock payable in securities of another corporation or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Holder then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Holder in accordance with the foregoing, the Company shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property that have been set aside by the Company in accordance with this Section are not delivered to a Holder because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

3.5 *Other Changes in Stock*. If there shall be any change, other than as specified in Sections 3.3 and 3.4, in the number or kind of outstanding Shares of Stock or of any Stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of Shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves the particular type of stock for which a change was effected.

3.6 *Rights to Subscribe*. If the Company shall at any time grant to the holders of its Stock rights to subscribe *pro rata* for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the Shares then subject to an Option held by any Holder of the particular class of Stock involved, the Stock or other securities which the Holder would have been entitled to subscribe for if immediately prior to such grant the Holder had exercised his entire Option. If, upon exercise of any such Option, the Holder subscribes for the additional Stock or other securities, the Holder shall pay to the Company the price that is payable by the Holder for such Stock or other securities.

3.7 *General Adjustment Rules*. No adjustment or substitution provided for in this Article III shall require the Company to issue a fractional share under any Option and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the purchase price with respect to each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed. Notwithstanding the provisions of this Article III, no Option shall be adjusted in a manner that will cause the Option Price ever to be less than the Fair Market Value of the Stock on the date the Option was granted or that will cause the Option to become subject to section 409A of the Code. Any and all adjustments or changes in number or kind of Shares subject to an Option and the exercise price for the Option shall comply with the requirements of section 409A of the Code. Notwithstanding the foregoing, upon the occurrence of any event contemplated by this Article III, any changes contemplated herein shall, in the sole discretion of the Committee, be modified to the minimum extent necessary to avoid any acceleration of income or tax that may otherwise become due under section 409A of the Code.

3.8 *Determination by the Committee, Etc.* Adjustments under this Article III shall be made by the Committee, whose determinations with regard thereto shall be final and binding.

ARTICLE IV

CORPORATE REORGANIZATION; CHANGE OF CONTROL

4.1 Reorganization. If the Company is merged or consolidated with another corporation or the Company is a party to a reorganization (other than a merger, consolidation or reorganization in which the Company is the continuing corporation and which does not result in any reclassification or change of outstanding Shares), or if all or substantially all of the assets or more than 50% of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person (other than a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct the business or businesses formerly conducted the Company), or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, the Committee shall, as to the Plan and outstanding Options, either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Holders holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the Shares subject to Options immediately after such substitution over the purchase price thereof is not more than the excess of the aggregate Fair Market Value of the Shares subject to Options immediately before such substitution over the purchase price thereof, or (ii) upon written notice to the Holders, provide that all unexercised Options must be exercised within thirty days of the date of such notice or they will be terminated. If alternative (i) is implemented, the Committee may, at its sole discretion, provide that Options may be exercisable in full without regard to the applicable exercise periods set forth in the Option agreements and if alternative (ii) is implemented, Options shall be exercisable in full without regard to the applicable exercise periods set forth in the Option agreements. Any assumption or substitution of Options shall comply with the requirements of sections 409A and 424 of the Code. Notwithstanding the foregoing, upon the occurrence of any event contemplated by this Article V, any changes contemplated herein shall, in the sole discretion of the Committee, be modified to the minimum extent necessary to avoid any acceleration of income or tax that may otherwise become due under section 409A of the Code.

4.2 Change of Control. In the event of a change in control of the Company, as defined below, all Options shall become exercisable in full, without regard to applicable exercise periods set forth in Article II. For purposes of the Plan, a "change in control" shall be deemed to have occurred if during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof.

ARTICLE V

GENERAL PROVISIONS

5.1 Expiration. The Plan shall terminate whenever the Board adopts a resolution to that effect. After termination, no additional Options shall be granted under the Plan, but the Company shall continue to recognize Options previously granted.

5.2 Amendments, Etc. The Board may from time to time amend, modify, suspend or terminate the Plan. Nevertheless, no such amendment, modification, suspension, or termination shall impair any Option theretofore granted under the Plan or deprive any Holder of any shares of Stock that he may have acquired through or as a result of the Plan without the consent of the Holder. The Plan may not be amended more than once every six months with respect to the persons entitled to be granted Options hereunder, the timing of grants for participants, the number of shares of Stock to be granted as Options to individual participants or the price thereof, other than amendments necessary to comport with changes in the Code or the rules and regulations thereunder. The Company shall obtain the approval of shareholders to any amendment or modification of the Plan to the extent required by Rule 16b-3 (or any successor applicable rule) or by the listing requirements of the New York Stock Exchange or any stock exchange, market, or quotation system on which the Company's securities are quoted or listed for trading.

5.3 Treatment of Proceeds. Proceeds from the sale of Stock pursuant to Options granted under the Plan shall constitute general funds of the Company.

5.4 Fair Market Value. The "Fair Market Value" of a share of Stock shall be the last reported sale price of the Stock on the New York Stock Exchange on the day the determination is to be made. If, however, the Stock should be listed or admitted for trading on a national securities exchange, the Fair Market Value of a share of Stock shall be the closing price on the day the determination is to be made. If the Stock is not listed or traded on NASDAQ or on any national securities exchange, the Fair Market Value for purposes of the grant of Options under the Plan shall be determined by the Committee in good faith in its sole discretion consistent with the requirements of section 409A of the Code.

5.5 Section Headings. The Section headings are included herein only for convenience, and they shall have no effect on the interpretation of the Plan.

5.6 Severability. If any article, section, subsection or specific provision is found to be illegal or invalid for any reason, such illegality or invalidity shall not effect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

5.7 Rule 16b-3. This Plan is intended to comply with the requirements of Rule 16b-3 and any successor applicable rule so that grants under the Plan will not affect the status of non-employee directors as disinterested persons for purposes of Rule 16b-3 and that such grants will otherwise satisfy the requirements of Rule 16b-3. To the extent the Plan does not conform to such requirements, it shall be deemed amended to so conform without any further action on the part of the Board of Directors or shareholders.

5.8 Tax Laws. Except as provided otherwise at the time an Option is granted, notwithstanding any other provision of the Plan to the contrary, if, during the term of the Plan, any changes in the tax laws or regulations applicable to any Options or to any Holders shall occur which, in the sole judgment of the Committee, may have a material adverse effect on the items of income, gain, loss, or deduction of the Company for tax purposes, the Committee shall have the right and power to modify as necessary any then outstanding Options as to which the applicable services or other restrictions have not been satisfied. In particular, the Committee shall have the right and power to modify any outstanding Options as necessary to satisfy the requirements of section 409A of the Code.

Date: May 2, 2012

By:

**AMENDMENT TO
UQM TECHNOLOGIES, INC. STOCK BONUS PLAN**

(amended and restated, effective August 11, 2009)

Recital

UQM Technologies, Inc., a Colorado corporation (the "Company"), established the UQM Technologies, Inc. Stock Bonus Plan (the "Plan"). In Article XII the Company reserved the right to amend the Plan from time to time. The Plan has been amended and restated, most recently effective August 11, 2009. The Company wishes to amend the Plan to increase the number of shares of the Company's common stock authorized for issuance under the Plan.

Recitals

1. As of August 11, 2009, there were 2,054,994 shares of the Company's common stock authorized for issuance under the Plan in the aggregate since the inception of the Plan.

2. At its meeting on May 9, 2012, the Board of Directors of the Company (the "Board") approved increasing the number of authorized shares by 400,000 for a total number of authorized shares equal to 2,454,994 in the aggregate since the inception of the Plan. At the same meeting, the Board authorized the submission of the amendment to the Company's stockholders for their approval.

Amendment

1. **Amendment to Number of Shares.** The first sentence of Section 4.1 shall be amended in its entirety to provide as follows:

The maximum aggregate number of Shares that may be issued under the Plan pursuant to Awards is 2,454,994.

2. **Effective Date.** This amendment shall be effective on the date that it is approved by the stockholders of the Company.

IN WITNESS WHEREOF, this Amendment has been signed on behalf of the Company on the date set forth below, to be effective on the date it is approved by the stockholders of the Company.

UQM TECHNOLOGIES, INC.

By: /s/Donald A. French
Name: Donald A. French
Title: Treasurer
Date: May 9, 2012

SEPARATION AGREEMENT AND LEGAL RELEASE

This Separation Agreement and Legal Release (the "Agreement and Release") is between Ronald M. Burton ("you" and "your") and UQM Technologies, Inc., a Colorado corporation ("Employer"), regarding the separation of your employment with Employer.

RECITALS

1. Employer employs you to work as its Senior Vice President of Operations. You and Employer are parties to the Employment Agreement made and entered into as of August 13, 2010 (the "Employment Agreement").
2. Effective May 2, 2012, your employment with Employer will terminate.
3. Employer will provide you with the severance benefits to which you are eligible under the Employment Agreement. Subject to the terms and conditions described below, Employer has agreed also to provide you with certain additional severance benefits that you agree you otherwise would not be entitled to receive.
4. You understand that this is a legally binding document in which you surrender legal rights that you may have against Employer in connection with your employment and separation from employment and that you have the right to consult, at your sole expense, with an attorney of your choosing to answer questions that you may have regarding this Agreement and Release.

AGREEMENT

In consideration, the sufficiency of which is acknowledged, of the mutual promises set forth below, you and Employer agree as follows:

Termination of Employment. Your employment with Employer will end effective May 2, 2012 (the "Termination Date"). If you desire to submit a letter of resignation, you may do so, and Employer will put the letter in your personnel file. Except as expressly modified below, the following provisions of the Employment Agreement, to the fullest extent applicable upon termination of your employment, shall remain in full force and effect: Sections 5 (Term of Employment, Expiration and Termination), 15 (Termination by Employer), 17 (Restrictive Covenant), 18 (Confidentiality), 19 (Resolution of Disputes), 20 (Notices) and 21 (Miscellaneous Provisions).

2. Separation Pay and Benefits.

- (a) Pursuant to Section 5(c)(i) of the Employment Agreement, Employer will pay you separation pay equal to a total of \$152,007 (calculated as 8 months of your base salary), which will be subject to customary withholding for all applicable federal, state and local taxes (including FICA). The payment will be made through direct deposit to Employee's account(s) or as otherwise designated by Employee in writing, within the time limits provided in Section 5(c)(iii) of the Employment Agreement.
- (b) In addition, and provided that you do not revoke this Agreement as permitted under Section 3(c) below, Employer will provide you with the following benefits as additional severance pay:
 - (1) Subject to the following sentence, Employer will pay you a cash bonus for the fiscal year ended March 31, 2012 in the amount of \$66,000, which will be subject to customary withholding for all applicable federal, state and local taxes (including FICA). Employer will pay you this amount in a lump sum six months after the Termination Date, provided that you have not breached any of the terms of this Agreement at any time on or before that date.
 - (2) Subject to the final two sentences of this subsection (2), all of your unvested stock options, both incentive and nonqualified, that were granted under the 2002 UQM Technologies, Inc. Equity Incentive Plan (totaling 80,719 options) shall be deemed to have vested in full as of the day before the Termination Date, and each of these Options may be exercised until the end of the Option Period specified in the applicable option agreement. The grant date fair value of the Options (each of which vested under this subsection) is \$128,236. If you have breached any of the terms of this Agreement at any time on or before six months after the Termination Date, the Options that vested under this subsection will be cancelled and deemed returned to Employer. No vesting under this subsection shall occur until the expiration of the seven day revocation period described in Section 3(c) or if you exercise the right to revoke. If, before the expiration of six months after the Termination Date, you exercise any of the Options and wish to sell any of the underlying shares, you agree, immediately upon the Company's request, to deposit all sale proceeds with the Company until the expiration of the six month period, and you also agree that this obligation is specifically enforceable.
 - (3) Subject to the final two sentences of this subsection (3), all of your unvested restricted stock that was granted under the UQM Technologies, Inc. Stock Bonus Plan (totaling 47,005 shares) (the "Shares") shall be deemed to have vested in full as of the day before the Termination Date for purposes of the plan. The fair value of the restricted stock that vested under this subsection will be calculated as of the expiration of the seven day revocation period described in Section 3(c). This amount will be subject to customary withholding for all applicable federal, state and local taxes (including FICA). Employee may elect to pay the required tax withholding by having the Company withhold from the number of Shares issuable to the Employee a number of Shares having a value equal to the amount required to be withheld or any lesser amount elected by the Employee. The amount required to be withheld shall not be greater than the minimum amount required to be withheld under the method of withholding that results in the smallest amount of withholding. The election must be made immediately upon signing this Agreement and Release, and, once made, is irrevocable. If you have breached any of the terms of this Agreement at any time on or before six months after the Termination Date, the Shares (each of which vested under this subsection) will be cancelled and deemed returned to Employer. No vesting under this subsection (3) will occur until the expiration of the seven day revocation period described in Section 3(c) or if you exercise the right to revoke. If, before the expiration of six months after the Termination Date, you wish to sell any of the Shares, you agree, immediately upon the Company's request, to deposit all sale proceeds with the Company until the expiration of the six month period, and you also agree that this obligation is specifically

enforceable.

(c) You acknowledge that you would not be entitled to receive any of the compensation or benefits described in Section 2(b) if you did not enter into this Agreement and Release.

(d) You understand that you may continue your health insurance coverage as provided under COBRA, but at your sole expense.

(e) On the Termination Date, you also will be paid for all unused vacation (if any) accrued as of the Termination Date. Any amounts paid are subject to customary withholding for all applicable federal, state and local taxes (including FICA).

(f) Employer will reimburse you for business expenses incurred on or before the Termination Date in accordance with Employer's expense reimbursement practices so long as such expenses are submitted within 15 days of the Termination Date

3. Older Worker's Benefit Protection Act.

(a) If you are an employee over 40 years of age, you have special rights under a federal law known as the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended by the Older Workers' Benefit Protection Act ("OWBPA"). Under this law, you have the right to be free from age discrimination in all aspects of the employment relationship. You understand that by signing this Agreement and Release, you are giving up the right to sue Employer for age discrimination, as well as for any other legal claims that you might have or claim to have that arise out of or relate to your employment with Employer and the termination of that employment.

(b) You understand that you have 21 days after the Termination Date to decide whether to sign this Agreement and Release. You acknowledge that if you signed before the expiration of 21 days, you were not required to do so, and could have taken the entire 21 days.

(c) Under OWBPA, you understand that you have the right to revoke this Agreement and Release within seven days after signing it. Any revocation must be in writing addressed to: UQM Technologies, Inc., Attn: Eric R. Ridenour, 4120 Specialty Pl., Longmont, CO 80504. To be effective, Eric Ridenour must receive the revocation before the expiration of the seven-day period. If this Agreement and Release is revoked, however, you will not be entitled to any of the separation pay or benefits described in section 2(b) above. If Eric Ridenour does not receive your written statement of revocation by the end of the revocation period, this Agreement and Release will become legally enforceable and you may not thereafter revoke it.

4. General Release. You, on behalf of yourself and your heirs and assigns, agree to fully and forever release Employer, its past and present subsidiaries and affiliates and their respective officers, directors, employees, agents, and shareholders (collectively, the "Released Parties"), from all legal claims, suits, damages and demands of any nature, that may now exist or subsequently accrue, and that in any way (whether directly or indirectly) arise out of or relate to your employment relationship with Employer, including but not limited to, the termination of your employment with Employer.

(a) Except as specifically provided in section 4(c) below, this Agreement and Release is intended to be interpreted in the broadest possible manner, to include all actual or potential legal claims that you may have or later claim to have against any of the Released Parties, regardless of whether you presently are aware or unaware of the claim or the facts on which the claim is based, and regardless whether the claim is based on the past, present or future effects of acts or omissions by any of the Released Parties.

(b) The legal claims against the Released Parties that you are giving up by signing this Agreement and Release include, but are not limited to, the following:

(1) All state law claims of whatever nature or kind, and whether based on negligent or intentional acts or omissions, including without limitation, all claims for breach of express or implied contract, wrongful discharge, fraud, misrepresentation, omission, promissory estoppel, outrageous conduct, defamation, libel, slander, invasion of privacy, and any other state law claims, including without limitation, all claims arising out of or related to your decision to enter into this Agreement and Release.

(2) All claims for alleged personal physical or emotional injuries.

(3) All claims under any local, state or federal statute, ordinance or regulation concerning employment, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act ("ADEA"), the Older Workers' Benefit Protection Act, the Rehabilitation Act, the Civil Rights Act of 1991, the Equal Pay Act, the Americans with Disabilities Act, the Colorado Anti-Discrimination Act, the Family and Medical Leave Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act ("ERISA"), and the Health Insurance Portability and Accountability Act ("HIPAA").

(c) The only exceptions to this Agreement and Release are: (i) claims for unemployment compensation or workers' compensation benefits under state law; (ii) your legally vested rights (if any) under any benefit plan of Employer; and (iii) future legal claims, meaning those that may arise after your separation from employment with Employer and are based on alleged acts, omissions or occurrences that occurred after the date you signed this Agreement and Release.

(e) Nothing in this Agreement and Release shall preclude you from filing a charge of discrimination or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or a state civil rights agency, although Employer will assert the validity of the release in such an event.

5. Confidentiality and Return of Employer Property.

- (a) You agree that you will keep the terms and substance of this Agreement and Release in strict confidence, and shall not divulge or furnish any information relating to the contents of this Agreement and Release to any other person, or entity, except to the extent required by law. This prohibition shall not apply to disclosures to your spouse, legal counsel or accounting and financial advisors. Either party may disclose this Agreement and Release to enforce its terms. You represent and warrant to Employer that up to and including the date of this Agreement and Release, you have not disclosed to any persons, other than to your spouse, legal counsel and accounting and financial advisors, the terms or substance of this Agreement and Release.
- (b) Despite the termination of your employment, you acknowledge that you are still bound by the terms of Section 18 of the Employment Agreement.
- (c) Within no later than seven days of the Termination Date, you will return to Eric Ridenour all manuals, policies, building keys and passes, parking passes, credit cards, telephone lists or directories, equipment and other assets, and any other property owned by, provided by, prepared on behalf of Employer or purchased with Employer's funds in your possession or control and that you did not return on the Termination Date. You further agree that if you have in your possession or control any other confidential and proprietary information or property owned by, prepared for, purchased by or provided to you by Employer or any of Employer's subsidiaries or affiliates, you will immediately return such material to Eric Ridenour. You further acknowledge that you have returned such property without making or keeping any copies of such property.
6. **Non-solicitation and Non-disparagement.** You acknowledge and agree that you have technical expertise and certain non-public knowledge and information associated with Employer's business and valuable business contacts with customers and potential customers of Employer and its present and future subsidiaries ("Employer Group") and with professionals in the industry. In consideration of the amounts payable to you under Section 2(b) of this Agreement and Release, the adequacy of which you hereby acknowledge, you agree as follows:
- (a) For 12 months following your termination (the "Restricted Period"), you agree that you will not directly or indirectly, either for yourself or on behalf of any other any corporate or natural person, (i) recruit or otherwise solicit or induce any employee, customer or supplier of Employer Group to terminate his, her or its employment or arrangement with any member of the Employer Group or otherwise change his, her or its relationship with a member of the Employer Group, or (ii) hire or offer employment to, or retain or offer to retain as a consultant, advisor, or in any other capacity (or cause or influence anyone to hire or offer employment to, or retain or offer to retain as a consultant, advisor, or in any other capacity) any person who was employed by a member of the Employer Group at any time during the 12-month period immediately prior to the Termination Date or who thereafter becomes employed by a member of the Employer Group. You acknowledge that even an unsuccessful solicitation of any such employee will negatively impact the morale, commitment and performance of the employee in question and that the occurrence of any action prohibited by this Section 6(b) will cause substantial financial loss for which you shall be personally responsible.
- (b) You agree that you will not (i) make any negative, unflattering, accusatory, or derogatory remarks about any member of the Employer Group, any of its products or practices, or any directors, managers, officers, agents, representatives, members, equity holders, customers, suppliers or affiliates, either orally or in writing, at any time, or (ii) take any action that might reasonably be expected to cause damage or harm (reputational or otherwise) to any member of the Employer Group; provided, that you may confer in confidence with your attorney(s) and testify truthfully.
- (c) You agree that a violation of your obligations under this Section 6 will seriously and irreparably injure the business of the Employer Group in a manner that cannot be adequately compensated through money damages, and you agree and irrevocably consent that the Employer Group will be entitled to entry of a temporary restraining order, a preliminary injunction, a permanent injunction and other appropriate equitable relief to enforce its rights against you and without posting a bond. This Section 6 is intended to be enforced to the maximum extent permitted under Colorado law, and the parties intend that a court should reform any unenforceable provisions so that the reformed provisions are enforceable and will be enforced to the maximum extent permitted under Colorado law.
- (d) Prior to accepting other employment or any other service relationship during the Restricted Period, you shall provide a copy of this Section 6 to any recruiter who assists you in obtaining other employment or any other service relationship and to any employer or other person with which you discuss potential employment or any other service relationship.
7. **Cooperation and Consultation.** In consideration of the severance benefits described in Section 2(b) above, upon Employer's written request, you agree to provide consulting services to Employer up to a maximum of 40 hours per month, from the Termination Date until two months thereafter, and in performing such services you will reasonably cooperate with and assist Employer in order to achieve an orderly transfer of your responsibilities. As additional consideration for your services after the Termination Date, Employer will pay you \$120 per hour for time that you actually spend to perform services at Employer's request. You will submit an invoice for your services to Employer within 10 days of the end of each month in which Employer requested services.
8. **Section 409A Compliance.** The following rules shall apply, to the extent necessary, with respect to distribution of the payments and benefits, if any, to be provided to Employee under this Agreement. Subject to the provisions in this Section, the severance payments pursuant to this Agreement shall be made only after the date of Employee's "separation from service" (determined as set forth below) which occurs on or after the date of Employee's termination of employment.
- (a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code ("Section 409A") to the extent applicable and the parties hereto agree to interpret, apply and administer this Agreement in the least restrictive manner necessary to comply therewith and without resulting in any increase in the amounts owed hereunder by Employer. The parties further agree to make any corrections necessary and permitted to make the Agreement compliant with Section 409A.
- (b) It is intended that the termination be treated as an involuntary termination of employment and that the lump sum payment provided in Section 2 of this Agreement qualify to the maximum extent possible as a "short term deferral" exempt from the application of Section 409A.

- (c) The determination of whether and when Employee's separation from service from Employer has occurred shall be made in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Section, "Employer" shall include all persons with whom the Employer would be considered a single employer as determined under Treasury Regulation Section 1.409A-1(h)(3).
- (d) All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A and the regulations and other guidance promulgated thereunder to the extent that such reimbursements or in-kind benefits are subject to Section 409A.
- (e) Notwithstanding anything herein to the contrary, Employer shall have no liability to Employee or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Section 409A are not so exempt or compliant.
9. **Limitation on Benefits and Compensation.** You acknowledge and agree that except as expressly provided in this Agreement and Release, you are ineligible for, disqualified from participating in, and shall not accrue or be paid in any amount whatsoever any benefits, any salary, any severance, separation or pay continuation, or any compensation in any amount or in any form (including, without limitation, vacation and other paid days off, deferred compensation, contingent compensation or bonus payments, or unvested stock options as of the Termination Date. You further acknowledge and agree that except as expressly provided in this Agreement, all other benefits and prerequisites end on the Termination Date, unless otherwise required by law.
10. **Denial of Liability.** You understand and agree that this Agreement and Release is not to be construed as an admission of liability on the part of any person, firm or corporation released, liability being expressly denied.
11. **Authority and Non-assignment.** You expressly warrant that you have authority to enter into this Agreement and Release and that you have not sold, assigned, granted or transferred to any other person, corporate or natural, any claim, action, demand or cause of action released by Section 4 of this Agreement and Release.
12. **Voluntary Agreement.** You agree that your decision to sign this Agreement and Release is entirely voluntary, and that you have enough information about the Agreement and Release and the separation pay and benefits that you will receive to decide whether to sign it.
13. **Miscellaneous.** (a) **Successors and Assigns.** This Agreement and Release shall be binding in all respects upon the successors and assigns of the parties. (b) **Governing Law.** Colorado law shall govern this Agreement and Release, without regard to conflicts of law principles. (c) **Severability.** If a court of competent jurisdiction enters a final judgment or decision holding invalid any non-material provision of this Agreement and Release, the remainder shall be fully enforceable. (d) **Counterparts.** This Agreement and Release may be executed in counterparts, each of which shall have full force and effect. (e) **Integration.** Except as expressly provided herein, this Agreement and Release constitutes the entire agreement between you and Employer and a complete merger of all prior negotiations and agreements; provided that nothing in this Agreement or Release shall amend, modify or otherwise change in any way any of the provisions of the 2002 UQM Technologies, Inc. Equity Incentive Plan or the UQM Technologies, Inc. Stock Bonus Plan, which shall remain in full force and effect. This agreement shall not be modified except in writing signed by the parties or their authorized representatives. (f) **Headings.** The headings of paragraphs herein are intended solely for the convenience of reference, and shall not control the meaning or interpretation of any of the provisions of this Agreement and Release. (g) **Gender and Number.** Whenever applicable, the pronouns designating the feminine, masculine, or neuter shall equally apply to the feminine, masculine and neuter genders; the singular shall include the plural and the plural shall include the singular. (h) **Subsequent Agreements.** The parties agree that, upon the reasonable request of the other party, he, she or it shall execute, acknowledge and deliver any additional documents that may reasonably be required to carry out the intentions of this Agreement and Release. (i) **Fees and Costs.** In any action or proceeding to enforce, interpret, or seek damages for violation of this Agreement and Release, the substantially prevailing party shall recover all reasonable attorneys' fees, costs and litigation expenses, and both parties irrevocably waive any constitutional or statutory right that either might have to a jury trial.

IN WITNESS WHEREOF, this Agreement and Release has been executed on the dates written below, to be effective on the later date.

CAUTION - READ BEFORE SIGNING BELOW!

I, Ronald M. Burton, hereby certify that I have read the above Agreement and Release and that I fully understand and voluntarily agree to the same. I have had the opportunity to consult with an attorney regarding the meaning and effect of this Agreement and Release. I understand that I had the right to take 21 days to review this Agreement and Release before signing it, and that if I signed before the expiration of the 21 days, I was not obligated to do so.

By:

/s/ R ON M . B URTON _____

Name: Ronald M. Burton, Employee
STATE OF COLORADO)
) ss.
COUNTY OF BOULDER)

The foregoing instrument was acknowledged before me this 21 day of May, 2012, by Ronald M. Burton.

Witness my hand and official seal.

/s/ MARY B BRYTOWSKI

Notary Public

My Commission Expires: 12-01-2014

[SEAL]

UQM TECHNOLOGIES, INC.

By: /s/ DONALD A. FRENCH

Name: Donald A. French

Title: Treasurer

STATE OF COLORADO)
) ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 1st day of May, 2012, by Ronald M. Burton.

Witness my hand and official seal.

A LEX M ARTINEZ

Notary Public

My Commission Expires: 02/23/16

[SEAL]