

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 December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from

Commission file number 1-10869

**UQM TECHNOLOGIES, INC.**  
(Exact name of registrant as specified in its charter)

Colorado  
(State or other jurisdiction  
of incorporation or organization)  
4120 Specialty Place, Longmont, Colorado  
(Address of principal executive offices)

84-0579156  
(I.R.S. Employer  
Identification No.)  
80504  
(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 American

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates as of December 31, 2018, based on the closing price of the Common Stock as reported by the NYSE American on such date was approximately \$46,127,324. As of March 27, 2019, there were 56,222,188 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document  
Portions of the Proxy Statement for the 2019 Annual  
Meeting of Shareholders.

Parts Into Which Incorporated  
Part III

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## PART I

### BUSINESS

*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 could be 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, uncertainty regarding the timing and effect of the Plan of Merger and Merger Agreement (as described below) entered into between the Company and Danfoss Power Solutions (US) Company (“Danfoss”), disruption in our business, customers and suppliers in connection with the Danfoss Merger agreement, failure or a delay in the contemplated merger with Danfoss, litigation related to the Danfoss Merger, risks related to change in control provisions or delisting of the Company’s Common Stock, general business and economic conditions, international trade issues and geopolitical risks, our ability to enforce intellectual property rights in the U.S. and other countries, the impact of existing and future laws and regulations governing our products and operations, our ability to recruit and retain key executive and technical employees, the sufficiency of our cash and other resources to support our continued operations and liquidity needs over the coming twelve months, new product developments, future orders to be received from our customers, sales of products from inventory, future financial results, liquidity 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.*

### ITEM 1.

#### Overview

UQM Technologies, Inc., (“UQM”, “Company”, “we”, “our”, or “us”) develops, manufactures and sells power dense, high efficiency electric motors, generators, power electronic controllers and fuel cell compressors for the commercial truck, bus, automotive, marine, and industrial markets. Our primary focus is incorporating our advanced technology as propulsion systems for electric, hybrid electric, plug-in hybrid electric and fuel cell electric vehicles, delivering the heart of the electric vehicle.

We believe our proprietary permanent magnet propulsion motor and motor control technology delivers exceptional performance at a competitive cost. Our principal products include propulsion motors and generators with power ratings from 50 kilowatts to 250 kilowatts, auxiliary motors and electronic controls and DC-to-DC converters. The principal attributes that we believe differentiate our proprietary products are their compact size, high torque delivery, high power density (the ratio of power output to weight), our design and manufacture of integrated motor/controller systems, and superior energy efficiency with full system ratings as high as 95%.

Our management team has significant experience in the automotive and electric propulsion industry with critical experience in state-of-the-art design and high quality production. We are IATF 16949 certified, the highest level of quality certification in the automotive supplier industry, and ISO 14001 certified, the highest environmental standards. We have an approximately 130,000 square foot combined headquarters and manufacturing facility located in Longmont, Colorado. We were incorporated in 1967 as a Colorado corporation.

In August 2017, pursuant to a longstanding strategy to expand our presence internationally and particularly in China, we entered into a definitive stock purchase agreement (“SPA”) with China National Heavy Duty Truck Group Co., Ltd. through its wholly owned subsidiary, Sinotruk (BVI) Limited (collectively, “CNHTC”), the parent company of Sinotruk (Hong Kong) Limited (“Sinotruk”), a leading Chinese commercial vehicle manufacturer, and also announced that UQM and CNHTC planned to create a joint venture to manufacture and sell electric propulsion systems for commercial vehicles and other vehicles in China. CNHTC has headquarters in Jinan, China. CNHTC’s investment is was expected to occur in two stages. In the first stage, which closed on September 25, 2017, UQM issued to CNHTC purchased newly issued shares representing 9.9 percent of the Company’s outstanding common stock.

On May 9, 2018, the Company announced that the Committee on Foreign Investment in the United States (“CFIUS”) had advised UQM and CNHTC that it would likely not approve the second stage investment by CNHTC. Following that announcement, we have investigated other potential funding alternatives. Our review of the CFIUS decision led to the parties agreeing to jointly explore other options to accomplish their shared business goals in support of UQM’s funding and expansion outside the U.S. Consequently, on January 16, 2019 we terminated the SPA.

In light of the continued focus and strategy to obtain necessary capital to expand our presence into key markets outside the U.S., on January 21, 2019, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Danfoss Power Solutions (US) Company, a Delaware corporation (“Danfoss”), and Danfoss-2019 Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Danfoss (the “Merger Sub”). Under the terms of the Merger Agreement, Merger Sub will be merged with and into the Company (the “Merger”), as a result of which the Company will continue as the surviving corporation and a wholly-owned subsidiary of Danfoss.

Under the terms of the Merger Agreement, at the effective time of the Merger (the “Effective Time”), each issued and outstanding share of the Company’s common stock (each a “Company Share”), other than shares owned by Danfoss, Merger Sub, or any wholly-owned subsidiary of the Company, or held in the Company’s treasury, will be cancelled and converted into the right to receive \$1.71 per share in cash (the “Merger Consideration”). Each option to purchase Company Shares that is outstanding as of the Effective Time (whether vested or unvested) will be cancelled in exchange for the right to receive the excess of the Merger Consideration over the exercise price of such option, less applicable taxes required to be withheld. Restricted stock that is not vested immediately prior to the Effective Time will be automatically fully vested and free of any restrictions immediately prior to the Effective Time, and will be treated as Company Shares for all purposes of the Merger Agreement, including the right to receive the Merger Consideration, subject to applicable withholdings. Outstanding warrants that are outstanding at the Effective Time will be cancelled and the holders issued a replacement warrant that will be exercisable for an amount in cash equal to the aggregate number of Common Shares underlying the warrant multiplied by the excess, if any of the Merger Consideration over the per share exercise price of the warrant.

The board of directors of the Company unanimously approved and declared advisable the Merger, the Merger Agreement, and the other transactions contemplated thereby.

Completion of the transaction is subject to the satisfaction or waiver of specified closing conditions, including (i) the approval of the Merger Agreement by the holders of a two-thirds of the issued and outstanding Company Shares, (ii) receipt of required regulatory approvals, including from the Committee on Foreign Investment in the United States, and (iii) other customary closing conditions, including the accuracy of each party’s representations and warranties (except where the failure of such representations and warranties to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect (as defined in Merger Agreement)), each party’s performance in all material respects of its obligations under the Merger Agreement, and the absence of a Company Material Adverse Effect since the date of the Merger Agreement. Assuming the satisfaction of conditions, the Company expects the transaction to close in the second quarter of 2019. Holders of outstanding Common Shares that do not vote in favor of the Merger are entitled to exercise dissenter’s rights if they exercise such rights in compliance with the terms, conditions and procedures of the Colorado Business Corporation Act and to receive the payment of the fair value of such shares.

If the transactions contemplated by the Merger Agreement are consummated, the Company Shares will be delisted from the NYSE American stock exchange and deregistered under the Securities Exchange Act of 1934, as amended.

## **The Market**

The global electrified vehicle market is an emerging market with growth potential being driven by several factors. In China, the market for electric vehicles is driven by strong government pressure to address air quality concerns in its major cities. The government has a number of initiatives to encourage electric vehicle market growth including mandates for purchases of New Energy Vehicles by municipalities, incentives and other tools. We are observing strong demand for electric buses across several cities and regions in China. We also observed demand for electric buses, delivery vans, trucks and taxi fleets across several cities and regions in China. As China is the world’s largest market for electric vehicles, we believe that our presence in China is critical to our long-term success. Therefore, we continue to devote significant time and resources to business development efforts in China.

In other global markets, including the United States, the drivers for growth in the electric commercial truck and bus market include the demand for zero tailpipe emissions from full electric vehicles or during the electric only range for hybrids, improved operating costs due to a more efficient powertrain on a gas equivalent basis and reduced maintenance costs for the powertrain system and other systems, such as improved brake life. Moreover, there is general community support for cleaner buses and trucks operating in congested areas, along with government incentives and requirements to purchase electric and hybrid

vehicles. In the automotive market, these same growth drivers exist, as well as growing consumer acceptance of electric vehicles due to their excellent performance, quiet operation, zero or reduced tailpipe emissions and improved operating cost. In addition, Corporate Average Fuel Economy (“CAFE”) standards in the United States are expected to accelerate further electrification of vehicle fleets.

Many studies have been conducted indicating the potential growth for electric vehicles over the next several years. For example, certain Morgan Stanley Research has forecasted that almost 20 million electric vehicles will be sold by 2025.

Several economic drivers support this anticipated growth of electric vehicles. First, and perhaps most important, battery costs, which comprise the single largest component cost in any electric vehicle, have declined dramatically. In 2010, the cost per kW- hour of a lithium-ion battery was about \$1,000; in 2015, this cost had fallen to about \$200, and is projected to continue to fall. This decline in battery costs has spurred higher demand. Second, published studies have shown that ownership costs of electric vehicles are significantly lower than diesel powered vehicles. A diesel bus, for example, has a range of four miles per gallon; an electric bus has the equivalent of twenty-one miles per gallon. Third, maintenance costs of electric vehicles are significantly lower than diesel powered vehicles. The same studies showed that a diesel bus costs about one dollar per mile to maintain; the maintenance cost for an electric bus was about six cents per mile. All of these economic benefits are helping to drive the market for electric vehicles.

Governments around the world have implemented financial incentives to promote the sales of electric vehicles. For example, the U.S. federal government currently offers up to a \$7,500 federal tax credit for the purchase of an electric passenger vehicle, and there are additional tax credits and other benefits such as HOV lane access in various states for purchasers of qualifying vehicles. In China, beginning on January 1, 2017, subsidies for electric buses varied depending on the efficiency performance of the vehicle, and could reach a maximum subsidy of \$120,000 per bus. In Europe, a majority of European Union member states provide tax incentives for electrically chargeable passenger vehicles, with Norway providing the most generous package of subsidies totaling almost EUR 17,000 (approximately \$19,000). The government of India has announced its desire that plug-in vehicles would represent 30 percent of new sales by 2030.

We believe that the trend toward increasing electrification of vehicles coupled with the government subsidies offered world-wide and lower battery and vehicle operating costs provide a substantial opportunity for the broad commercial application of our products.

## **Business Strategy**

We are focused primarily on the transportation markets, with a strong emphasis on the commercial truck and bus space, followed by automotive and then marine, and other applications. We have developed two basic frame size propulsion systems: the PowerPhase<sup>®</sup> Pro for passenger car, light commercial applications, light duty marine and other lighter duty applications and the PowerPhase<sup>®</sup> HD lineup of products for heavier commercial bus and truck applications and heavier duty marine and other applications. In addition, we sell the PowerPhase<sup>®</sup> DT, a fully integrated electric drivetrain combining the motor, inverter, transmission and transmission control unit. We also utilize these products, customized versions of these products and all new custom solutions in these markets to meet various customer requirements. We provide motor and controller systems for full-electric, hybrid electric, plug-in hybrid and fuel cell applications. We also provide units for non-automotive markets including auxiliary systems and motor and controller systems for aircraft. Further, we manufacture fuel cell compressor systems for the fuel cell business.

Our products are used in the following applications:

- Passenger Buses – Electric and hybrid passenger buses can have large positive impacts on the environment and many municipalities around the world are demanding more of these vehicles on the road. We supply electric propulsion systems to Proterra, Inc., a developer and manufacturer of all-electric composite transit buses, under a multi-year supply agreement. We have also provided electric propulsion systems for customers in China, South America, Europe and Japan.
- Commercial Trucks, Vans and Shuttles - We supply electric propulsion systems to Zenith Motors, LLC for their electric shuttle vans and have in the past supplied Electric Vehicles International for their all-electric medium-duty delivery trucks.

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- Fuel Cell Compressors – We manufacture and sell fuel cell compressors which are an integral component of hydrogen powered fuel cell vehicles designed for light duty automotive and commercial bus applications for 30kW to 150kW fuel cell stacks.
- Aircraft HVAC – We provide small motors and controllers for aircraft HVAC usage to AirComm.
- Mining vehicles – In January 2015, we announced a long-term supply agreement with the KESHI Group, a Chinese market leader that manufactures vehicles for the mining industry in China. KESHI will manufacture under license explosion proof electric mining vehicles using UQM’s designs and parts supplied by UQM to KESHI. This first phase is focused on vehicles that move the coal from the mines. Future stages could also include vehicles that move people in and out of the mines and other potential applications. Sales of propulsion systems to KESHI began in 2018.
- Airplane tugs – In January 2016, we announced that Kalmar Motor AB in Sweden had successfully passed vehicle trials with major airlines and plans on beginning production using our heavy-duty commercial traction electric motor/controller system, for their TBL50 airplane tugs. Ground handling tugs play a vital role at airports by enabling large aircraft to be moved from their hangars to the passenger gate, as well as for pushback and other taxiing functions on the runway.
- Marine – We supply UQM motors and controllers used in a variety of marine applications and for a variety of customers. We believe the marine market could be a growing sector of electrified vehicles.
- Automobiles – Government mandates for fuel economy and clean air emissions are accelerating the demand for electric passenger cars. In the United States, for example, CAFE standards are likely to increase the average fuel economy of each manufacturer’s passenger car and light truck model. We have in the past provided electric propulsion systems to many original equipment manufacturers (“OEMs”) for testing and product development.

Our business strategy is also comprised of the following:

- Highly qualified and experienced management – We have a management team with significant experience in the automotive industry and the requirements for high quality production programs and deep technical knowledge of the electric motor and controller business.
- State-of-the-art manufacturing facility – Our headquarters and manufacturing plant are located in an approximately 130,000 square foot facility. We have designed, installed and qualified volume production lines for our motors and their related electronic controllers.
- Manufacturing capacity – We currently have the capacity to build motor/controller systems, in quantities sufficient to meet demands of our current and future customers for the foreseeable future.
- Highest production quality standards – The Company is certified under the IATF 16949 standards, the highest level of automotive quality standards in the industry and ISO 14001, the highest environmental standards.
- Leading edge 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. We continue to develop next generation products to achieve improved performance and efficiency, smaller package sizes and lower production costs.
- Presence in China – We have hired a vice president of Asia operations and two technical support personnel in China. We have created UQM Technologies Asia Limited as the legal entity for our Asia headquarters operations and UQM Technologies (Shanghai) Limited for a service center in Shanghai we opened in 2018 to support our installed base of products there.

## **Products**

We offer a full range of motors and controllers for electric, hybrid electric, plug-in hybrid electric and fuel cell electric commercial trucks, vans, buses and automobiles. Our current core electric propulsion products are:

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- [PowerPhase HD<sup>®</sup>220](#): Designed for medium and heavy duty trucks and buses.
- [PowerPhase HD<sup>®</sup>—220\(+\)](#): A high continuous power version designed for heavy duty trucks and buses that requires additional power for higher GVW or more challenging hilly terrain, this product delivers 25% higher continuous performance compared to the PowerPhase HD<sup>®</sup> 220.
- [PowerPhase HD<sup>®</sup>—950T](#): A high torque version designed for commercial vehicle that requires additional torque where gear ratios are limited, this product delivers especially high torque performance compared to the PowerPhase HD<sup>®</sup> 220.
- [PowerPhase HD<sup>®</sup>—250](#): A high voltage version of the product that produces high torque and power, designed for buses as well as medium and heavy duty trucks.
- [PowerPhase DT<sup>®</sup>](#): A full electric drivetrain, this system includes our PowerPhase HD<sup>®</sup> 220/250 motor and inverter system, an Eaton 2-speed transmission, and a Pi Innova transmission control unit.
- [PowerPhase Pro<sup>®</sup>100](#): Designed for passenger vehicles and light duty truck or van applications.
- [PowerPhase Pro<sup>®</sup>—135](#): The PP 135 offers higher performance for those applications that require it versus our PowerPhase Pro<sup>®</sup> 100 .
- [Auxiliary Motor Systems](#): Multiple products are offered for compressor, pump and fan applications, including a family of motor/controller systems for fuel cell air compressors, an integrated motor/controller for aircraft air conditioning compressors, and an integrated motor/controller for aircraft air conditioning condenser fans.
- [Custom Solutions](#): We offer variations of the above motors in semi-custom configurations as well as fully customized solutions to meet individual customer specifications.
- [R340 and R410 Fuel Cell Compressor Systems](#): These fuel cell compressors are used in hydrogen powered fuel cell vehicles.

### **Product Development Activities**

We continue to develop new variations of our product lineup to meet expanding customer requirements and work on custom solutions for new prospective customers meeting their precise specifications. We are also developing the next generation of PowerPhase Pro<sup>®</sup> and PowerPhaseHD<sup>®</sup> products designed to be smaller, lighter weight, more energy efficient and producible at lower cost with equal or better performance than our current PowerPhase systems. The resulting products from this development effort are expected to launch in the next two years. Development targets include a substantial size and cost reduction of the motor controllers. Adopting new generation components and control strategies are also elements of this development. Target applications include automotive and light commercial truck, medium and heavy-duty truck, and bus, markets.

In January 2017, we announced a development agreement with Meritor, Inc. to jointly develop and supply full electric axle systems (E-axles) targeting the medium and heavy-duty commercial vehicle market. This next-generation technology could accelerate market demand over the next few years due to improved component packaging, lower costs from integration, and increased vehicle performance. We continue to provide product development services to Meritor.

## Competition

All of the markets in which we operate are highly competitive and are characterized by changes due to technological advances that could render existing technologies and products obsolete, although we are not currently aware of any such advances that could render our current product portfolio obsolete. We believe our competitors are large automotive OEMs, Tier 1 suppliers to OEMs, Chinese electric motor manufacturers offering lower cost options, and numerous other competitors in nearly every region of the world.

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 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, volume manufacturing operations and access to governmental incentive programs.

## Customers and Suppliers

We derive our revenue from the following sources: 1) the sale of products designed, engineered and manufactured by us primarily to OEMs, Tier 1 suppliers of OEMs, and vehicle integrators; 2) funded contract research and development services performed for strategic partners, customers, and in the past from the U.S. government, directed toward either the advancement of our proprietary technology portfolio or the application of our proprietary technology to customers' products; and 3) after-market services and remanufacture.

Our business is subject to revenue fluctuation based on the buying cycles of our customers. Specific customers that reach 10% or more of revenues in any given fiscal quarter or year will also vary depending on these buying cycles. In the fiscal year ended December 31, 2018, three customers individually comprised 10% or more of our total revenues. Any loss of business with these customers could have a material adverse effect on our business, financial condition and results of operation.

Principal raw materials and components purchased by us include iron, steel, electronic components, rare-earth magnets and copper wire. Most of these items are available from several suppliers. In the fiscal year ended December 31, 2018, one supplier comprised 10% or more of our total purchases. 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.

We can experience significant price fluctuation in the cost of magnets used in our motors, which contain the rare-earth elements neodymium and dysprosium and are primarily sourced from China. We have not experienced any disruption in supply of magnets, and magnet prices may continue to be volatile until mining operations outside of China increase or restart.

	Year Ended December 31,	
	2018	2017
United States & Canada	\$ 7,399,406	\$ 4,009,941
Asia Pacific	6,554,721	3,388,370
Europe	220,657	380,438
Total Revenues	\$ 14,174,784	\$ 7,778,749

## Backlog

Our order backlog for products at January 31, 2019 was approximately \$7.2 million versus \$2.4 million at January 31, 2018. Certain orders are blanket purchase orders which are subject to the issuance of subsequent release orders directing the number and timing of actual deliveries. We had backlog of service contracts from customers, which will provide future revenue upon completion, totaling approximately \$500,000 at January 31, 2019 versus \$200,000 at January 31, 2018. Substantially all of the backlog amounts at January 31, 2019 and 2018 are subject to amendment, modification or cancellation. We expect to ship motor and controller backlog products over the next twelve months.



## **Intellectual Property**

We have numerous patents in the United States and in other countries to protect our intellectual property.

We determine if our intellectual property should be treated as a trade secret or submitted to the patent application process by deciding whether a technology successfully passes through three evaluation gates. The first gate is an assessment of whether the expected breadth of the patent would offer a high level of protection or whether it will serve as an educational tool for competitors. Based upon a patent and literature search, if the expected coverage is broad, the evaluation moves to the second gate, which is an assessment of infringement detection. This is a review of whether or not it will be possible to detect patent infringement if a competitor were to adopt the technology. Difficulty in detection reduces the value of a patent and will lead us to handle the technology as a trade secret rather than a patent. The last gate is an assessment of whether the technology will have value for many years or whether the technology is a stepping stone to a different technology. The patent process is a multi-year endeavor from the initial disclosure to the granted patent, which leads to the importance of this gate. A technology that is expected to have value for five or more years will pass the final gate and the patent application process will then commence.

We also implement measures to protect our intellectual property, including the guarding and protection of source code, nondisclosure of control techniques, and protection of product design details, drawings and documentation.

## **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.

## **Employee and Labor Relations**

As of January 31, 2019, we had 66 employees, all of whom are full-time employees. We have entered into employment agreements with our executive officers. The employment agreements expire on December 31, 2019. 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 2018 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports and other documents, filed with the SEC and may be obtained, free of charge, by: contacting our Investor Relations office by e-mail at [investor@uqm.com](mailto: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](http://www.uqm.com). Our SEC filings are also available to the public at [www.sec.gov](http://www.sec.gov). We make our Transition Report on Form 10-KT, 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](http://www.uqm.com), select "Investor Relations" and select the form you would like to access. Our website also includes our Audit 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**

*We operate in a challenging and 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.*

**The Merger is subject to several future conditions, including conditions that may not be within the power of UQM to complete and may not be completed on a timely basis, if at all.**

The consummation of the Merger is subject to several closing conditions that may make the timing and completion of the Merger uncertain. The conditions include, among others, obtaining the approval of our shareholders, obtaining consent from the Committee on Foreign Investment in the United States (“CFIUS”), which in 2018 declined to approve an investment transaction involving the Company and its Chinese investor CNHTC, and the absence of any order or law of any governmental authority that enjoins or otherwise prohibits the consummation of the Merger. Failure to obtain the shareholder approval or CFIUS approval would prevent us from consummating the Merger.

**Failure to complete the Merger in a timely manner, or at all, could negatively impact our future business and our financial condition and liquidity.**

If the Merger cannot be completed, no merger consideration will be transferred until the conditions to closing are satisfied or waived, including the approval of our shareholders and the receipt of required approvals from CFIUS. The Merger Agreement provides that either party may terminate the Merger Agreement if the Merger is not consummated on or before October 31, 2019. If the Merger is not completed for any reason, the holders of our Company Common Stock will continue to hold their shares in the Company and we will remain an independent public company.

If the Merger is not completed a timely manner, or at all, our ongoing business may be adversely affected, including with regard to the following risks:

- the price of the Company’s common stock may change to the extent that the current market prices reflect an assumption that the Merger will be completed, or in response to other factors;
- under some circumstances, the Company may be required to pay a termination fee of \$3.5 million in connection with the termination of the Merger Agreement;
- there may be substantial disruption to the businesses of the Company and distraction of its workforce and management team, and some employees of the Company may leave in response to the pending Merger;
- If the Merger is not completed the Company would fail to derive the benefits expected to result from the Merger, including increased access to capital and international development, sales and manufacturing capacity; and
- the Company may be subject to litigation related to the Merger if it is not consummated.

In addition, in response to the announcement of the Merger, customers or suppliers of the Company may delay or defer product purchase or other decisions. Any delay or deferral in product purchase or other decisions by customers or suppliers could adversely affect the business of the Company, regardless of whether the Merger is ultimately completed. Similarly, current and prospective UQM employees may experience uncertainty about their future roles with the Company until the Merger is completed and until the Danfoss’ strategies with regard to the integration of operations of the Company and the Danfoss are announced or executed. This may adversely affect the Company’s ability to attract and retain key management, sales, marketing and technical personnel.

**The Proposed Merger may disrupt our business and operations.**

Under the Merger Agreement, we must generally operate our business in the ordinary course pending consummation of the Merger. The Merger Agreement restricts us, without Danfoss' consent, from taking certain specified extraordinary corporate actions until the Merger is completed. These restrictions may limit our flexibility in executing our business strategies and may impact our financial position and ongoing liquidity.

We also are subject to litigation related to the proposed Merger, which could result in significant costs and expenses and create a further diversion of time for our management and advisors or affect overall shareholder sentiment. We will also incur and will continue to incur other significant costs, expenses and fees for professional services and other transaction costs related to the Merger, which in some cases are not recoverable if the Merger is not consummated.

**The Merger Agreement generally precludes us from pursuing alternatives to the Merger unless it is a “superior proposal”.**

Under the Merger Agreement, we are restricted, subject to limited exceptions, from pursuing or entering into alternative transactions with other strategic investors. In general, unless the Merger Agreement is terminated, we are restricted from, among other things, soliciting, initiating, causing, knowingly facilitating or encouraging any inquiries, proposals or offers from any person that is or could reasonably be expected to lead to an alternative transaction proposal. We have the right to terminate the Merger Agreement and enter into a new agreement with respect to a “superior proposal” by an alternative investor only if specified conditions have been satisfied, which would be generally subject to payment of a termination fee of \$3.5 million to Danfoss. These provisions could discourage a third party that may have an interest in UQM from proposing such an acquisition, even if such potential investor or partner were prepared to pay a higher per share price, in cash and/or equities, than the merger consideration offered by Danfoss.

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

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

	Year Ended December 31,	
	2018	2017
Net loss	\$ 6,503,562	\$ 4,778,316

As of December 31, 2018, we had an accumulated deficit of \$131,174,812.

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 for the foreseeable future.

**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 year ended December 31, 2018 was \$6,503,562 versus a net loss for the year ended December 31, 2017 of \$4,778,316. At December 31, 2018, our cash, cash equivalents and restricted cash totaled \$2,214,884. We expect our losses to continue for the foreseeable future.

Our existing cash resources and cash generated from our revenues, are not expected to be sufficient to complete our business plan for the next twelve months. Should those resources be insufficient, and we are unable to complete the Merger, we may need to renegotiate existing debt, secure additional debt or equity funding, which may not be available on terms acceptable to us, if at all. Therefore, management believes there is substantial doubt about the Company's ability to continue as a going concern.

**We may not be able to sell the remaining PowerPhase Pro<sup>®</sup> inventory and may recognize additional loss on the value of this inventory carried on our books.**

We still have aged inventory of \$579,824 in PowerPhase Pro<sup>®</sup> systems. Based upon anticipated customer demand, we continue to believe there is still a market for this product. If customers do not purchase the amount of inventory they have ordered or we are unable to find new customers for this inventory, it may become obsolete, causing an adverse effect on our results of operations.

**Our business depends, in part, on the expansion of the market for all-electric and hybrid 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 vehicles. 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 vehicles, 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. We cannot predict how and the extent to which the recent substantial decrease of oil prices will affect the domestic interest in electric and hybrid vehicles. 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 our introduction of new products that have limited testing in the marketplace. We have made substantial investments in manufacturing facilities and equipment, production and application engineering, among other things, to increase our production capacity in order to capitalize on the anticipated expansion in demand for electric propulsion systems and generators in the commercial truck, bus and automobile markets. We cannot be 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.

**Our sales cycle is inherently long.**

We must go through lengthy processes to achieve supply contracts with our customers. Our products must conform to the technical specifications of the customer and meet design requirements of the electric vehicle. Typically prototype testing is required to ensure consistent system performance on an ongoing basis. These steps can often take many months to multiple years until decisions are made on whether or not to take a vehicle to production. We may spend considerable financial and human resources over an extended period of time and not end up with a completed supply contract. Failure to secure volume production levels within a reasonable period of time could have an adverse effect on our results of operations and our liquidity.

**A reduction or elimination of government subsidies and economic incentives for alternative energy technologies, including our electric vehicle motor technology, could reduce demand for our products and services, lead to a reduction in our revenues and adversely impact our operating results.**

We believe that the near-term growth of alternative energy technologies, including our electric vehicle motor technology, relies on the availability and size of government and economic incentives both in the United States and in other countries. Many of these government incentives expire, phase out over time, exhaust the allocated funding, require renewal by the applicable authority, and/or could be reduced or discontinued for other reasons. The reduction, elimination, or expiration of government subsidies and economic incentives may result in the diminished demand from our customers and could materially and adversely affect our future operating results.

**We are subject to risks inherent in international operations.**

Since we market our products both inside and outside the United States, our success depends in part, on our ability to secure international customers and our ability to manufacture products that meet foreign regulatory and commercial requirements in target markets. In addition, we are subject to tariff regulations and requirements for export licenses. We can face numerous challenges in our international growth plans, including unexpected changes in regulatory requirements, potential conflicts or disputes that countries may have to deal with, fluctuations in currency exchange rates, longer accounts receivable requirements and collections, difficulties in managing international operations, potentially adverse tax consequences, restrictions on repatriation of earnings and the burdens of complying with a wide variety of international laws. Any of these factors could adversely affect our results of operations and financial condition.

**Changes in U.S. trade relations may have a negative effect on our business.**

Changes to U.S. trade policies, treaties and tariffs could have an adverse effect on global trade and, in particular, trade between the impacted nations and the United States. These changes could result in increased costs of goods imported into the U.S. for the Company and our third party suppliers. As a result, where we are responsible for the costs related to such trade policy changes, our profit margins may decrease. Our third party suppliers may also limit their trade with U.S. companies generally, including us. Such changes may materially and adversely affect our sales and our business.

**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.

Our customer arrangements generally are non-exclusive, have no long-term volume commitments and are typically 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 and dysprosium, rare-earth minerals, are key elements used in the production of magnets that are components 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 China use, rather than exporting it. During calendar year 2011, for example, we experienced significant price escalation in the cost of magnets used in our motors. This price escalation was primarily due to rare-earth government policy in China. Rare-earth prices have decreased substantially since peaking in the summer of 2011, and are now approaching the baseline prices (defined as the beginning of calendar year 2011). We have implemented a magnet surcharge process to recover these additional costs in the event of another price escalation. Although rare-earth magnets are available from other sources, these alternative sources are currently more costly. Reduced availability of neodymium and dysprosium 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 product costs, thereby reducing or eliminating our profit margin on electric propulsion systems if we are unable to pass the increase 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.

**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 and other environmental laws and regulations. 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. Finally, patents may not deter third parties from attempting to reverse engineer our products and discovering our intellectual property.

**We rely, in part, on contractual provisions to protect our trade secrets and proprietary knowledge, the adequacy of which may not be sufficient.**

Confidentiality agreements to which we are party may be breached, and we may not have adequate remedies for any breach. Our trade secrets may also be known without breach of such agreements or may be independently developed by competitors. Our inability to maintain the proprietary nature of our technology and processes could allow our competitors to limit or eliminate any competitive advantages we may have.

**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.

**Our future success will depend on our ability to attract and retain qualified management and technical personnel.**

Our future success is substantially dependent on the continued services and on the performance of our executive officers and other key management, engineering, manufacturing and operating personnel. The loss of the services of any executive officer, or other key management, engineering, manufacturing and operating personnel, could materially adversely affect our business. Our ability to achieve our growth plans will also depend on our ability to attract and retain additional qualified management and technical personnel, and we do not know whether we will be able to be successful in these regards. Our inability to attract and retain additional qualified management and technical personnel, or the departure of key employees, could materially and adversely affect our growth plans and, therefore, our business prospects, results of operations and financial condition.

**The maintenance and security of our information systems are critical to our operations.**

We rely on our information systems to be functioning at all times, and that the data in those systems is protected and secure from viruses, illegal access and any other form of unauthorized use. Should our information systems be compromised in any way, our business operations could be severely impacted.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity attacks could include, but are not limited to, malicious software, viruses, attempts to gain unauthorized access, whether through malfeasance or error, either from within or outside of our organization, to our data or that of our customers or our customers' customers which may be in our possession, and the unauthorized release, corruption or loss of the data, loss of the intellectual property, theft of the proprietary or licensed technology, whether ours, that of our customers or their customers, loss or damage to our data delivery systems, other electronic security breaches that could lead to disruptions in our critical systems, and increased costs to prevent, respond to or mitigate cybersecurity events. It is possible that our business, financial and other systems could be compromised, which might not be noticed for some period of time. Although we utilize various procedures and controls to mitigate our exposure to such risk, cybersecurity attacks are evolving and unpredictable and we cannot guarantee that any risk prevention measures implemented will be successful. The occurrence of such an attack could lead to financial losses and have a material adverse effect on our reputation, business, financial condition and results of operations.

**Our stock price has been and could remain volatile.**

The market price for our common stock has been and may continue to be volatile and subject to extreme price and volume fluctuations in response to market and other factors, including the following, some of which are beyond our control:

- failure to meet growth expectations;
- variations in our quarterly operating results from the expectations of investors;
- downward changes in general market conditions;
- announcements of new products or services by our competitors;
- announcements by our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- investor perception of our industry or our prospects;
- insider selling or buying;
- demand for our common stock; and
- general technological or economic trends.

In the past, following periods of volatility in the market price of their stock, many companies have been the subjects of securities class action litigation. If we become involved in securities class action litigation in the future, it could result in substantial costs and diversion of management's attention and resources and could harm our stock price, business prospects, results of operations and financial condition.

Management believes completion of the Plan of Merger with Danfoss Power Solutions described above mitigates the substantial doubt raised by our historical operating result and fulfilling our estimated liquidity needs twelve months from the issuance of the financial statements. The Plan of Merger with Danfoss Power Solutions is subject to approval by our shareholders and approval of the Committee on Foreign Investment in the United States ("CFIUS") prior to completion so therefore we are unable to predict with certainty the completion of the Merger.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We own our offices and manufacturing facility in Longmont, CO and believe the facility to be well maintained, adequately insured and suitable for its present and intended uses. We lease office space in Shanghai, China to provide a service center in one of our foreign markets. Information concerning our facilities as of December 31, 2018 is set forth in the table below:

<b>Location</b>	<b>Square Feet</b>	<b>Ownership or Expiration Date of Lease</b>	<b>Use</b>
Longmont, Colorado	129,304	Own	Manufacturing, laboratories and offices
Shanghai, China	3,337	August 31, 2022	Service center



### **ITEM 3. LEGAL PROCEEDINGS**

#### **Litigation**

Between February 20, 2019 and March 5, 2019, six shareholder complaints were filed in Colorado court related to the proposed Merger. and on March 11, 2019 another shareholder complaint related to the proposed Merger was filed in the United States District Court for the Southern District of New York.

On February 20, 2019, a putative shareholder class action complaint captioned *Carter v. UQM Technologies, Inc., et al.*, (the “Carter Complaint”) was filed in the United States District Court for the District of Colorado against the Company and the members of its board of directors. The Carter Complaint alleges that the Company directors breached their fiduciary duties and the Company aided and abetted in the breach of fiduciary duties in connection with the negotiation and approval of the Merger Agreement by failing to maximize shareholder value, and it brings claims under Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), based on alleged failure to disclose material information in the February 22, 2019 preliminary proxy statement on Schedule 14(A) filed with the SEC. The Carter Complaint seeks to enjoin the Company and the directors and Company from proceeding with the stockholders meeting to vote on the Merger proposal and to otherwise enjoin the directors from consummating the Merger, an accounting by the defendants for alleged damages sustained as a result of the alleged failure to meet their fiduciary duties, and plaintiff’s costs and attorneys’ and experts’ fees.

On February 22, 2019, a putative shareholder class action complaint captioned *Franchi v. UQM Technologies, Inc., et al.*, (the “Franchi Complaint”) was filed in state District court in Weld County, Colorado against the Company and the members of its board of directors. The Franchi Complaint asserts claims for (i) breach of fiduciary duty by the directors; (ii) indemnification by the Company to the plaintiff class; (iii) an injunction against the proposed merger; (iv) breach of fiduciary duty as a derivative action; and (v) waste of corporate assets against the individual directors on behalf of the Company. The Franchi Complaint seeks, among other things, certification of a plaintiff class, injunctive relief ordering the directors to fulfill their fiduciary duties to the Company and class, an accounting by the defendants for alleged damages sustained as a result of the alleged failure to meet their fiduciary duties, and plaintiff’s costs and attorneys’ and experts’ fees. The Defendants accepted service of the Franchi Complaint on February 26, 2019.

On February 25, 2019, a plaintiff shareholder complaint captioned *Lopez v. UQM Technologies, et al.* (the “Lopez Complaint”) was filed in the United States District Court for the District of Colorado. The Defendants accepted service of the Lopez Complaint on February 26, 2019. On March 1, 2019, a plaintiff shareholder complaint captioned *ETS Logistics, Inc. v. UQM Technologies, et al.*, (the “ETS Complaint”) was filed in the United States District Court for the District of Colorado. On March 5, 2019, a putative shareholder class action complaint captioned *Poston v. UQM Technologies, et al.*, (the “Poston Complaint”) was filed in the United States District Court for the District of Colorado. Also on March 5, 2019, a putative shareholder class action complaint captioned *Arukala v. UQM Technologies, et al.*, (the “Arukala Complaint”) was filed in the United States District Court for the District of Colorado. The Lopez Complaint, the ETS Complaint, the Poston Complaint, and the Arukala Complaint bring claims under Section 14(a) and Section 20(a) of the Exchange Act based on alleged failure to disclose material information in the February 22, 2019 preliminary proxy statement filed with the Securities and Exchange Commission. The class action complaints seek, among other things, certification of a plaintiff class, and each of the Lopez Complaint, ETS Complaint, Poston Complaint, and Arukala Complaint seeks injunctive relief to prevent the parties from proceeding with, consummating, or closing the Merger and the subsequent merger contemplated by the Merger Agreement unless allegedly omitted material information is disclosed in the proxy statement; an accounting by the defendants for alleged damages sustained by the plaintiffs; and unspecified plaintiff’s costs and attorneys’ and experts’ fees.

On March 11, 2019, a putative shareholder class action complaint captioned *David Gunderson v. UQM Technologies, Inc., et al.* (the “Gunderson Complaint”) was filed in United States District Court for the Southern District of Southern New York against the Company and the members of its board of directors. The Gunderson Complaint asserts claims under Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), based on alleged failure to disclose material information in the March 7, 2019 definitive proxy statement on Schedule 14(A) filed with the SEC.

The Company believes each of the claims asserted in the above captioned complaints relating to the Merger are without merit and the Company and its directors intend to vigorously contest them.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Part II**

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

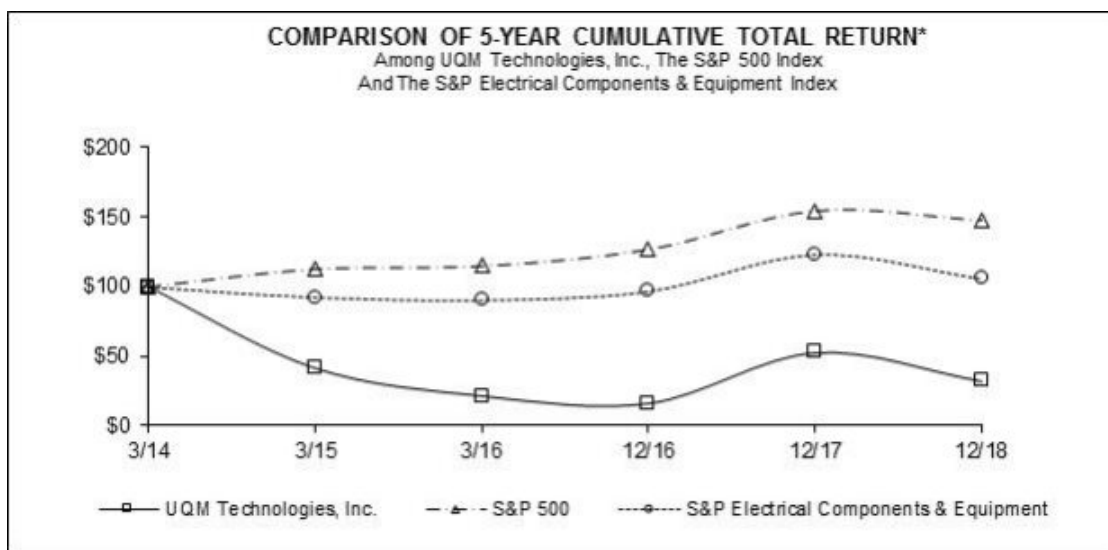
Our common stock trades on the NYSE American under the symbol UQM.

On March 26, 2019 the closing price of our common stock, as reported on the NYSE American, was \$1.65 per share and there were 504 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these beneficial holders.

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 our Board of Directors based upon consideration of our earnings, capital needs and other factors then relevant.

**PERFORMANCE GRAPH <sup>1</sup>**

The following graph represents the yearly percentage change in the cumulative total return on the common stock of UQM, the group of companies comprising the S&P Electrical Components & Equipment Index, and those companies comprising the S&P 500 Index for the five year period from March 31, 2014 through December 31, 2018:



	3/14	3/15	3/16	12/16	12/17	12/18
UQM Technologies, Inc.	100.00	41.67	21.67	16.29	52.65	32.20
S&P 500	100.00	112.73	114.74	126.76	154.43	147.66
S&P Electrical Components & Equipment	100.00	92.54	90.61	96.85	123.30	105.84

\* \$100 invested on 3/31/14 in stock or index, including reinvestment of dividends Fiscal year ending December 31.  
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<sup>1</sup> 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.

<sup>2</sup> The Company changed its fiscal year end from March 31 to December 31 in 2016.

**ITEM 6. SELECTED FINANCIAL DATA**

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

	Year Ended December 31,	
	2018	2017
Product sales	\$ 12,367,115	\$ 7,162,456
Contract services revenue	\$ 1,807,669	\$ 616,293
Loss from operations	\$ (6,429,302)	\$ (5,284,502)
Net loss	\$ (6,503,562)	\$ (4,778,316)
Net loss per common share - basic and diluted	\$ (0.12)	\$ (0.10)
Total assets	\$ 14,014,017	\$ 15,134,176
Long-term obligations	\$ 106,159	\$ 3,241,117
Cash dividend declared per common share	—	—

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

**Introduction**

UQM develops, manufactures and sells power dense, high efficiency electric motors, generators, power electronic controllers and fuel cell compressors for the commercial truck, bus, automotive, marine, and industrial markets. We generate revenue from two principal activities: 1) the sale of motors, generators, electronic controls, and fuel cell compressors; and 2) research, development and application engineering contract services. Our product sales consist of annually recurring volume production, prototype low volume sales, and revenues derived from the sale of refurbished and serviced products. The sources of engineering service revenue typically vary from year to year and individual projects may vary substantially in their periods of performance and aggregate dollar value.

We have invested considerable financial and human resources into the development of our technology and manufacturing operations. We have developed and production-validated a full range of products for use in full-electric, hybrid electric, plug-in-hybrid and fuel cell applications for the commercial bus and truck, automotive, marine, military, and industrial markets. These products are all highly efficient permanent magnet designs and feature outstanding performance, package size and weight valued by our customers. Our production capabilities and capacity are sufficient to meet the demands of our current and future customers for the foreseeable future. We are certified as an IATF 16949 quality supplier, which is the highest level of quality standards in the automotive industry, and we are ISO 14001 certified, meeting the highest environmental standards. We have a management team with significant experience in the automotive industry and the requirements for high quality production programs and very deep technical knowledge of the motor and controller business. This team has the ability and background to grow the business to significantly higher levels, and we believe we have adequate cash and bank financing resources to fund our operations for at least the next twelve months.

Our most important strategic initiative going forward is to develop customer relationships that lead to longer-term supply contracts. Volume production is the key to our ongoing operations. We are attempting to drive business development primarily in the following ways:

- We have created a well-defined, structured process intended to target potential customers of vehicle electric motor technology in the commercial truck/van and shuttles, passenger buses, automotive, marine, military and other targeted markets both domestically and internationally, particularly in China.
- We hired our first employees in China in 2016. As China represents the largest market in the world for electric vehicles, our presence in that market is critical to our long-term success. In 2018, we opened a service center in Shanghai, China to support our installed base of products there.
- On August 28, 2017, we entered into a definitive stock purchase agreement (“SPA”) with China National Heavy Duty Truck Group Co., Ltd. through its wholly owned subsidiary, Sinotruk (BVI) Limited (collectively, “CNHTC”), the parent company of Sinotruk (Hong Kong) Limited (“Sinotruk”), a leading Chinese commercial vehicle manufacturer, and also announced that UQM and CNHTC plan to create a joint venture to manufacture and sell electric propulsion systems for commercial vehicles and other vehicles in China, the largest market in the world for electric vehicles. Because the full amount of the stock purchase was not realized, on January 16, 2019 we terminated the SPA.
- We have developed a customer pipeline where identified potential customers are synergistic and strategic in nature for longer-term growth potential.
- We are continuing to attempt to build long term quantifiable and sustainable relationships within the identified target markets.
- We provide service and support to our customers from pilot and test activities through commissioning processes and then ultimately leading to volume production operations.
- We aim to improve our purchasing and manufacturing processes to develop competitive costs to ensure that our pricing to customers is market competitive.
- We provide customized solutions intended to meet specification requirements that some customers require.

- We participate in trade show events globally to demonstrate our products and engage with users of electric motor technology.
- We actively involve all functional groups within the Company to support the needs of our customers.

We believe that the successful execution of these activities will lead us to secure volume production commitments from customers, so that our operations will become cash flow positive and ultimately profitable.

### **Recent Events**

In January 2018, we announced the first significant purchase order from KESHI, a major Chinese manufacturer of commercial mining vehicles. The purchase order is for explosion-proof E-drive systems and was valued at \$1.2 million. Shipments began during 2018. While we signed a cooperation agreement with KESHI in 2015, KESHI's production launch was delayed due to the market conditions, but now has made a major commitment to this new energy market application. KESHI plans to move forward with their strategy to do final assembly and test in China under our current cooperation agreement for explosion-proof electric propulsion systems in China.

On March 7, 2018 we announced that we received the first purchase order from Ashok Leyland, a major commercial vehicle manufacturer in India. The purchase order was for fifty-one UQM PowerPhase® eDT systems to be shipped during 2018 for a demonstration program for electric transit buses in India. The purchase order signified the first step in the development program to gain market leadership and drive the overall 2030 India electrification initiative.

On July 31, 2018, we announced that we had signed a lease agreement in Shanghai, China to open a customer service center for both our fuel cell compressor systems and propulsions systems. The facility should allow us to provide quick turnaround for service and spare parts to our customers in China, and eventually assemble the fuel cell compressor systems in that region.

On August 9, 2018, we announced that we had received new fuel cell compressor system purchase orders from several new and existing Chinese customers, including our major Chinese OEM customer. The new purchase orders were valued at approximately \$3.0 million. All these orders represent incremental new business with shipments expected to be delivered through 2018 and into 2019.

On August 30, 2018, we announced that we had received an order from Lightning Systems for our eDT 220 electric propulsion systems for use in several new projects, including Class 6 vehicles for Zeem Solutions, located in New York, and a city bus program for Via Mobility, located in Boulder, Colorado. Shipments are currently expected to commence in 2018 and continue into 2019. We supply various powertrain components to Lightning Systems, including the UQM E-Drive paired with different gearbox solutions, making us the Tier 1 provider for the full assembly.

On September 11, 2018, we announced that we had unveiled our newest product launch at the Electric & Hybrid Vehicle Technology Expo held in Novi, Michigan. We introduced a full lineup of PowerPhase ® HD2 electric motor inverters, which complements our signature motors and software controls, to further serve our customers in the electric vehicle market.

On January 21, 2019, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Danfoss Power Solutions (US) Company, a Delaware corporation ("Danfoss"), and Danfoss-2019 Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Danfoss (the "Merger Sub"). Under the terms of the Merger Agreement, Merger Sub will be merged (the "Merger") with and into the Company, as a result of which the Company will continue as the surviving corporation and a wholly-owned subsidiary of Danfoss.

Under the terms of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each issued and outstanding share of the Company's common stock (each a "Company Share"), other than shares owned by Danfoss, Merger Sub, or any wholly-owned subsidiary of the Company, or held in the Company's treasury, will be cancelled and converted into the right to receive \$1.71 per share in cash (the "Merger Consideration"). Each option to purchase Company Shares that is outstanding as of the Effective Time (whether vested or unvested) will be cancelled in exchange for the right to receive the excess of the Merger Consideration over the exercise price of such option, less applicable taxes required to be withheld. Restricted stock that is not vested immediately prior to the Effective Time will be automatically fully vested and free of any restrictions immediately prior to the Effective Time, and will be treated as Company Shares for all purposes of the Merger Agreement, including the right to receive the Merger Consideration, subject to applicable withholdings. Outstanding warrants

that are outstanding at the Effective Time will be cancelled and the holders issued a replacement warrant that will be exercisable for an amount in cash equal to the aggregate number of Common Shares underlying the warrant multiplied by the excess, if any of the Merger Consideration over the per share exercise price of the warrant.

The board of directors of the Company (the “Company Board”) unanimously approved and declared advisable the Merger, the Merger Agreement, and the other transactions contemplated thereby.

Completion of the transaction is subject to the satisfaction or waiver of specified closing conditions, including (i) the approval of the Merger Agreement by the holders of a two-thirds of the issued and outstanding Company Shares (the “Company Stockholder Approval”), (ii) receipt of required regulatory approvals, including from the Committee on Foreign Investment in the United States, and (iii) other customary closing conditions, including the accuracy of each party’s representations and warranties (except where the failure of such representations and warranties to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect (as defined in Merger Agreement)), each party’s performance in all material respects of its obligations under the Merger Agreement, and the absence of a Company Material Adverse Effect since the date of the Merger Agreement. Assuming the satisfaction of conditions, the Company expects the transaction to close in the second quarter of 2019. Holders of outstanding Common Shares that do not vote in favor of the Merger are entitled to exercise dissenter’s rights in accordance with the terms, conditions and procedures of the Colorado Business Corporation Act and to receive the payment of the fair value of such shares.

If the transactions contemplated by the Merger Agreement are consummated, the Company Shares will be delisted from the NYSE American stock exchange and deregistered under the Securities Exchange Act of 1934, as amended.

### **Financial Condition**

Cash and cash equivalents at December 31, 2018 were \$1,918,570 and we had a working capital deficit of \$836,263 compared with \$6,309,269 and positive working capital of \$7,762,363, at December 31, 2017. The decrease in cash and cash equivalents was the result of operating losses. Working capital decreased in year ending December 31, 2018 due to our line of credit coming due within one year, an increase in current liabilities as we purchased more inventory to support customer demand and higher unearned revenue from customer deposits.

Restricted cash (current and long-term) at December 31, 2018 was \$296,314 compared to \$500,056 at December 31, 2017. The decrease in restricted cash is related to the payment of the interest on the line of credit secured with a bank in March 2017. The cash is reserved for payment of the interest on the line of credit.

Accounts receivable increased \$857,496 to \$1,681,289 at December 31, 2018 from \$823,793 at December 31, 2017. The increase is primarily due to the mix of prepaid versus credit term customers for our 2018 sales. 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 or history, our typical terms are irrevocable letter of credit or cash payment in advance of delivery. At both December 31, 2018 and 2017, we had no allowance for doubtful accounts receivable.

Total inventories increased \$2,442,527 to \$4,783,887 at December 31, 2018 compared to \$2,341,360 at December 31, 2017, reflecting an increase in raw materials and work-in-process for confirmed sales orders to be sold to customers in 2019. In the year ended December 31, 2018, we increased our reserve for obsolete or slow moving inventory by \$169,954 for parts that are unlikely to be sold.

Prepaid expenses and other current assets increased to \$377,762 at December 31, 2018 from \$233,566 at December 31, 2017, primarily due to increases in vendor prepayments.

We invested \$373,347 for the acquisition of property and equipment during the year ended December 31, 2018 versus \$83,838 during the year ended December 31, 2017. The increase in capital expenditures is primarily attributable to the purchase of production tooling and equipment during the year ended December 31, 2018.

Patent costs increased to \$260,021 at December 31, 2018 compared to \$222,461 at December 31, 2017, primarily due to new patent applications being submitted for approval which was partially offset by the amortization of capitalized patent costs.

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Trademark costs decreased to \$85,964 at December 31, 2018 compared to \$90,460 at December 31, 2017 due to the amortization of capitalized trademark costs.

Accounts payable increased \$2,046,757 to \$2,995,632 at December 31, 2018 from \$948,875 at December 31, 2017, primarily due to the timing of vendor payments and reflecting an increase in inventory purchases to support higher customer orders.

Current debt was \$4,656,757 at December 31, 2018 versus \$0 at December 31, 2017 due to our line of credit becoming due within one year.

Other current liabilities increased \$574,311 to \$1,394,150 at December 31, 2018 from \$819,839 at December 31, 2017. The increase is primarily attributable to the an increase in accrued payroll and employee benefits, warranty costs, and unearned revenue at December 31, 2018.

Billings in excess of costs and estimated earnings on engineering services contracts was \$110,727 at December 31, 2018 versus \$199,160 at December 31, 2017. The decrease is due to timing of costs incurred versus billings on certain contracts that were in process in the respective fiscal year ends.

Long-term debt was \$0 at December 31, 2018 versus \$3,119,450 at December 31, 2017 due to our line of credit being classified as current debt since it is due within one year.

Other long-term liabilities decreased \$15,508 to \$106,159 at December 31, 2018 from \$121,667 at December 31, 2017 due to the amortization of a license fee received from a customer under a ten-year cooperation agreement.

Common stock and additional paid-in capital increased to \$542,674 and \$134,645,911, respectively, at December 31, 2018 compared to \$541,085 and \$133,901,406, respectively, at December 31, 2017. The increases in common stock and additional paid-in capital were primarily attributable to the compensation expense from employee and director stock option and common stock grants.

### **Results of Operations – Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

#### Revenue

Product sales for 2018 increased 73 percent to \$12,367,115 compared to \$7,162,456 for 2017, reflecting an increase in orders from our customers, both domestically and internationally, especially from orders for fuel cell compressor systems from customers in China.

Revenue from contract services increased \$1,191,376, or 193 percent, to \$1,807,669 for 2018 versus \$616,293 for 2017. This was driven by renewed development of products for our customers.

#### Gross Profit Margin

Gross profit margins on product sales for 2018 decreased to 21 percent compared to 39% percent for 2017. The decrease is primarily due to pricing pressure as volumes have increased and higher production operating costs incurred to support higher customer orders.

Gross profit margins on contract services decreased to 44 percent for 2018 compared to 54% percent for 2017, reflecting a change in the mix of contracts in process.

#### Costs and Expenses

Research and development expenditures for 2018 were \$2,497,127 compared to \$2,042,732 for 2017. In 2018, resources were allocated to internally funded development projects in 2018.

Selling, general and administrative expenses for 2018 were \$7,299,860 compared to \$6,367,331 for 2017. The increase for 2018 is attributable to increases in employee and contract labor costs, professional fees, shareholder costs and insurance costs.

*Other*

Interest income increased to \$6,251 for 2018 from \$5,127 for 2017. The increase is attributable to more favorable interest rates on invested cash balances.

Interest expense was \$208,076 in 2018 versus \$108,146 in 2017. The increase is attributable to higher outstanding balances and increased interest rates on the borrowings from the line of credit we secured in March 2017.

Amortization of deferred financing costs was \$37,308 in 2018 versus \$29,535 in 2017. The financing costs are amortized over the life of the loan.

Gain on sale of long-lived assets was \$0 in 2018 versus \$606,006 in 2017. The gain was recognized on the sale of vacant land in July, 2017.

Other income for 2018 was 131,798 versus \$32,734 for 2017. The increase between the years is attributable to royalties from a resource ownership interest.

Net Loss

As a result, net loss for 2018 was \$6,503,562, or \$0.12 per common share, compared to a net loss of \$4,778,316, or \$0.10 per common share, for 2017.

**Liquidity and Capital Resources**

Our cash balances and liquidity throughout 2018 were adequate to meet operating needs. At December 31, 2018, we had cash and cash equivalents of \$1,918,570 and a working capital deficit of \$836,263 compared to \$6,309,269 and positive working capital of \$7,762,363 at December 31, 2017. Cash and working capital decreased as of December 31, 2018 compared to the prior year because in 2017 we reported a sale of vacant land (net proceeds of \$1.4 million) and the closing of the first stage investment of the SPA with CNHTC of \$5.1 million.

For 2018, net cash used in operating activities was \$5,735,405 compared to net cash used in operating activities of \$4,870,626 for 2017. The increase in cash used in operating activities for 2018 versus 2017 is primarily attributable to increased net operating losses, increased purchases of inventory, and increased accounts payable.

Net cash used by investing activities for 2018 was \$428,268 compared to cash provided of \$1,279,050 for 2017. The change for 2018 is primarily due to acquisition of property and equipment.

Net cash provided by financing activities was \$1,569,232 for 2018 versus cash provided in financing activities of \$8,300,812 for 2017.

In 2018 we borrowed \$1.5 million against our line of credit. In 2017 we received cash of \$5.1 million from the closing of the first stage investment related to the Agreement with CNHTC and borrowed \$3.1 million against our line of credit.

On March 15, 2017, the Company entered into a non-revolving line of credit with a bank for \$5.6 million. The interest rate is variable based upon the one month LIBOR rate plus 4.0% per annum on the outstanding balance. The non-revolving line of credit will expire on September 15, 2019 and the amounts repaid during the term of the loan may not be reborrowed. At the expiry date, all outstanding principal and interest are due. As of December 31, 2018, \$4,664,529 was drawn on the line of credit. For additional information, see Note 8 of the Consolidated Financial Statements.

We expect to fund our operations over the next year from existing cash and cash equivalent balances and, to the extent all closing conditions are satisfied (including obtaining CFIUS approval), our merger with Danfoss Power Solutions. In the event the merger is not completed, we will need to pursue other sources of capital that have not been identified.

Although we expect to manage our operations and working capital requirements to minimize the future level of operating losses and working capital usage, our working capital requirements may increase in the future. If customer demand accelerates substantially, our working capital requirements may also increase substantially.

If our existing financial resources are not sufficient to execute our business plan, we may need to raise additional capital 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 operations with then available financial resources. Based on our current level of operations, management believes there is substantial doubt that we will have sufficient cash and cash equivalents to fund our operations for the next twelve months.

### Contractual Obligations

The following table presents information about our contractual obligations and commitments as of December 31, 2018:

	Total	Payments due by Period			
		Less Than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Current debt obligations	\$4,664,529	\$4,664,529	\$ —	\$ —	\$ —
Purchase obligations	3,530,005	2,909,543	620,462	—	—
Lease obligations	95,422	24,678	52,647	18,097	—
Total	<u>\$8,289,956</u>	<u>\$7,598,750</u>	<u>\$673,109</u>	<u>\$ 18,097</u>	<u>\$ —</u>

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

### Critical Accounting Policies and Estimates

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 our 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 uncollectible 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. There have been no material changes in our Consolidated Financial Statements based on any of our critical accounting policies including the adoption of ASC 606, during the year ended December 31, 2018. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in preparation of the consolidated financial statements.

#### *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 as appropriate.

During the years ended December 31, 2018 and 2017, we recorded an expense to increase our inventory reserve for obsolete or slow moving inventory of \$169,954, and \$0, respectively.

It is reasonably possible that future events or changes in circumstances could cause the realizable value of our inventories to decline materially, resulting in material impairment losses.

#### *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. 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.

***Revenue Recognition on Long-term Contracts: Deferred Contract Assets and Deferred Contract Liabilities***

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. Estimated costs for each project are developed by our engineering staff based upon a progression of technical tasks required to attain the project's objectives. These estimates typically include the number of hours of work required by each category of personnel, the cost of subcontracts, materials and components, as well as costs for consultants and project related travel. These estimated costs are reviewed throughout the project and revised quarterly, if necessary, to accurately reflect our best estimate of the remaining costs necessary to complete the project. 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, changes in actual overhead costs versus estimated overhead costs and a variety of other factors that may cause unforeseen delays and additional costs.

***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.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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, although we expect that the impact would be immaterial. 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**

To the Board of Directors and Stockholders of  
UQM Technologies, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of UQM Technologies, Inc. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders’ equity and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Going Concern Uncertainty***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has sustained recurring losses from operations and had a working capital deficit that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Moss Adams LLC

Denver, Colorado  
March 27, 2019

We have served as the Company’s auditor since 2017.

## UQM TECHNOLOGIES, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,918,570	\$ 6,309,269
Restricted cash	296,314	176,193
Accounts receivable	1,681,289	823,793
Inventories, net	4,783,887	2,341,360
Prepaid expenses and other current assets	377,762	233,566
Total current assets	<u>9,057,822</u>	<u>9,884,181</u>
Property and equipment, at cost:		
Land	896,388	896,388
Building	4,516,301	4,516,301
Machinery and equipment	7,479,790	7,136,578
	<u>12,892,479</u>	<u>12,549,267</u>
Less accumulated depreciation	(8,282,269)	(7,936,056)
Net property and equipment	<u>4,610,210</u>	<u>4,613,211</u>
Patent costs, net of accumulated amortization of \$972,553 and \$953,491, respectively	260,021	222,461
Trademark costs, net of accumulated amortization of \$89,877 and \$85,381, respectively	85,964	90,460
Restricted cash	-	323,863
Total assets	<u>\$ 14,014,017</u>	<u>\$ 15,134,176</u>

See accompanying notes to consolidated financial statements.

## UQM TECHNOLOGIES, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets, Continued

	December 31, 2018	December 31, 2017
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,995,632	\$ 948,875
Unearned revenue	736,819	153,944
Other current liabilities	1,394,150	819,839
Deferred contract liability	110,727	199,160
Current debt, net of deferred financing costs of \$7,772 and \$0, respectively	4,656,757	-
Total current liabilities	<u>9,894,085</u>	<u>2,121,818</u>
Long-term debt, net of deferred financing costs of \$0 and \$45,079	-	3,119,450
Other long-term liabilities	106,159	121,667
Total long-term liabilities	<u>106,159</u>	<u>3,241,117</u>
Total liabilities	<u>10,000,244</u>	<u>5,362,935</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$0.01 par value, 175,000,000 shares authorized; 54,267,440 and 54,108,510 shares issued and outstanding, respectively	542,674	541,085
Additional paid-in capital	134,645,911	133,901,406
Accumulated deficit	(131,174,812)	(124,671,250)
Total stockholders' equity	<u>4,013,773</u>	<u>9,771,241</u>
Total liabilities and stockholders' equity	<u>\$ 14,014,017</u>	<u>\$ 15,134,176</u>

See accompanying notes to consolidated financial statements.

## UQM TECHNOLOGIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

	Year ended December 31,	
	2018	2017
Revenue:		
Product sales	\$ 12,367,115	\$ 7,162,456
Contract services	1,807,669	616,293
	<u>14,174,784</u>	<u>7,778,749</u>
Operating costs and expenses:		
Costs of product sales	9,798,384	4,368,093
Costs of contract services	1,008,715	285,095
Research and development	2,497,127	2,042,732
Selling, general and administrative	7,299,860	6,367,331
	<u>20,604,086</u>	<u>13,063,251</u>
Loss from operations	(6,429,302)	(5,284,502)
Other income (expense), net	(74,260)	506,186
Net loss	<u>\$ (6,503,562)</u>	<u>\$ (4,778,316)</u>
Net loss per common share - basic and diluted	<u>\$ (0.12)</u>	<u>\$ (0.10)</u>
Weighted average number of shares of common stock outstanding - basic and diluted	<u>54,183,772</u>	<u>50,038,799</u>

See accompanying notes to consolidated financial statements.

UQM TECHNOLOGIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Number of common shares issued	Common stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
Balances at December 31, 2016	48,519,313	\$ 485,193	\$ 128,409,933	\$ (119,892,934)	\$ 9,002,192
Issuance of common stock upon exercise of employee and director options	72,347	723	58,810	-	59,533
Issuance of common stock under employee stock purchase plan	116,023	1,160	52,601	-	53,761
Issuance of common stock under stock bonus plan	68,023	680	(680)	-	-
Issuance of common stock under definitive stock purchase agreement	5,347,300	53,473	5,046,425	-	5,099,898
Common stock used for tax withholdings	(14,496)	(144)	(12,236)	-	(12,380)
Compensation expense from employee and director stock option and common stock grants			346,553	-	346,553
Net loss				(4,778,316)	(4,778,316)
Balances at December 31, 2017	54,108,510	\$ 541,085	\$ 133,901,406	\$ (124,671,250)	\$ 9,771,241
Issuance of common stock upon exercise of employee and director options	37,672	376	26,119	-	26,495
Issuance of common stock under employee stock purchase plan	55,964	560	52,639	-	53,199
Issuance of common stock under stock bonus plan	76,079	761	(761)	-	-
Issuance of common stock under definitive stock purchase agreement	-	-	-	-	-
Common stock used for tax withholdings	(10,785)	(108)	(10,354)	-	(10,462)
Compensation expense from employee and director stock option and common stock grants			676,862	-	676,862
Net loss				(6,503,562)	(6,503,562)
Balances at December 31, 2018	54,267,440	\$ 542,674	\$ 134,645,911	\$ (131,174,812)	\$ 4,013,773

See accompanying notes to consolidated financial statements.

## UQM TECHNOLOGIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (6,503,562)	\$ (4,778,316)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	435,512	400,370
Non-cash equity based compensation	676,862	346,553
Gain on sale of long-lived assets	-	(606,006)
Change in operating assets and liabilities:		
Accounts receivable	(857,496)	339,523
Deferred contract asset	-	29,917
Inventories	(2,442,527)	(591,625)
Prepaid expenses and other current assets	(144,196)	16,031
Accounts payable and other current liabilities	2,621,068	(206,233)
Unearned revenue	582,875	-
Deferred contract liabilities	(88,433)	199,160
Other long-term liabilities	(15,508)	(20,000)
Net cash used in operating activities	(5,735,405)	(4,870,626)
Cash flows from investing activities:		
Acquisition of property and equipment, net	(373,347)	(83,838)
Cash paid for patent and trademark fees	(54,921)	(30,060)
Cash proceeds from the sale of long-lived assets	-	1,392,948
Net cash (used in) / provided by investing activities	(428,268)	1,279,050
Cash flows from financing activities:		
Cash received for shares exercised under employee stock purchase plan	53,199	53,761
Proceeds from line of credit	1,500,000	3,100,000
Payment of employee tax withholdings in exchange for return of common stock	(10,462)	(12,380)
Issuance of common stock upon definitive stock purchase agreement	-	5,099,898
Issuance of common stock upon exercise of employee and directors options	26,495	59,533
Net cash provided by financing activities	1,569,232	8,300,812
(Decrease) / increase in cash, cash equivalents, and restricted cash	(4,594,441)	4,709,236
Cash, cash equivalents, and restricted cash at beginning of period	6,809,325	2,100,089
Cash, cash equivalents, and restricted cash at end of period	\$ 2,214,884	\$ 6,809,325

See accompanying notes to consolidated financial statements.



**(1) Summary of Significant Accounting Policies**

**(a) Description of Business**

UQM Technologies, Inc. and our wholly-owned subsidiaries develop, manufacture and sell power dense, high efficiency electric motors, generators, power electronic controllers and fuel cell compressors for the commercial truck, bus, automotive, marine, and industrial markets. Our headquarters and production facility is located in Longmont, Colorado, and we opened a service center in Shanghai, China to support our installed base of products there. Our revenue is derived primarily from product sales to customers in the commercial truck, bus, automotive, marine, and industrial 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 its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**(c) Cash, Cash Equivalents and Restricted Cash**

We consider cash on hand and investments with original maturities of three months or less to be cash and cash equivalents.

We limit our cash and cash equivalents to high quality financial institutions in order to minimize our credit risk. We maintain cash and cash equivalent balances with financial institutions that exceed federally insured limits. We have not experienced any losses related to these balances and management believes our credit risk to be minimal.

**(d) Accounts Receivable**

We extend unsecured credit to many 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 uncollectable 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 doubtful accounts receivable. At December 31, 2018 and 2017, we had no allowance for doubtful accounts receivable.

**(e) Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. We analyze obsolete or slow-moving inventory on a periodic basis and we charge directly to expense obsolete or slow moving inventory items during the period we assess the value of such inventory to be impaired. For the years ended December 31, 2018 and 2017, we recognized a reserve for obsolete or slow moving inventory of \$169,954 and \$0, respectively. See Note 5.

**(f) Property and Equipment**

Property and equipment are stated at cost, unless the asset was acquired, in part, with U.S. Department of Energy ("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 years ended December 31, 2018 and 2017 was \$376,346 and \$345,415, respectively, and was reported in operating costs and expenses on the Consolidated Statements of Operations.

**(g) 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 8 years for patents, and 40 years for trademarks. Amortization expense for the years ended December 31, 2018 and 2017, was \$23,558 and \$25,423, respectively.

**(h) 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. As of December 31, 2018 and 2017 there was no impairment of long-lived assets.

**(i) Product Warranties**

Our warranty policy generally provides three months to four 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. The following is a summary of warranty activity for the years ended December 31, 2018 and 2017.

	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions <sup>(1)</sup></u>	<u>Balance at End of Year</u>
<u>Year ended December 31, 2018</u>				
Accrued warranty cost	\$ 333,431	312,132	(47,148)	\$ 598,415
<u>Year ended December 31, 2017</u>				
Accrued warranty cost	\$ 289,710	173,014	(129,293)	\$ 333,431

*Note (1) Represents actual warranty payments for units covered under warranty*

**(j) Segment Reporting**

The Company has performed its quarterly assessment to determine if additional disclosures are required for segment reporting. Management has determined that the Company has one operating segment because the chief operating decision maker (CODM) and management make business decisions based on product and contract services revenues taken as a whole. Therefore, no further disclosure is required at this time. Management will perform an assessment quarterly to determine if additional disclosures around this standard are needed in the future.

**(k) Revenue and Cost Recognition**

**Accounting Policies**

*Product Sales* - Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of the Company's contracts have a single performance obligation to transfer products. Accordingly, the Company recognizes revenue when control has been transferred to the customer, generally at the time of shipment of products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products and is generally based upon a negotiated fixed price. The Company sells its products directly to customers under agreements with payment terms of prepayment or generally net 30 days for credit qualified customers.

*Contract Services* - The majority of the Company's contracts have a single performance obligation to transfer products or an agreed-upon task(s) over time. Accordingly, revenue is recognized using cost input methods, which

recognize revenue and gross profit as work is performed based on the relationship between actual costs incurred compared to the total estimated costs of the contract, as the performance obligations are satisfied. Costs incurred towards contract completion may include costs associated with direct materials, labor, subcontractors, and other indirect costs.

*Shipping and Handling Costs*- We account for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer the associated products. Accordingly, we record customer payment of shipping and handling costs as a component of net sales, and classify such costs as a component of cost of sales.

*Product Warranties* - Our standard product warranty is for one year and provides assurance to the customer that the purchased product will function as intended and complies with agreed-upon specifications. A customer can negotiate an extended warranty period from four months up to four years. The cost of the warranty can be included in the price of the unit or separately stated as a line item in the contract. A majority of our customers have the warranty included in the sales price of the product which is then accounted for as a guarantee. Warranties that are stated as a separate line item in the contract are considered a single performance obligation which is recognized by the time elapsed input method.

*Unearned Revenue* - When we receive consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, we record unearned revenue, which represents a contract liability. We recognize unearned revenue as net sales after we have transferred control of the goods or services to the customer and all revenue recognition criteria are met.

*License Agreements* - We account for our license agreements as multi-element arrangements. Each element in the arrangement is considered a single performance obligation and is treated accordingly. Revenue recognition for the licensing element in the agreement is recognized by the time elapsed input method. Revenue recognition for the product sales element follows the revenue recognition rules as noted above for product sales.

The effect of the adoption of new revenue recognition standard (ASC 606) on our Consolidated Statement of Operations and Balance Sheet as of December 31, 2018 and 2017 did not have a material impact on the timing of the Company's revenue recognition.

#### Disaggregation of Revenue

In the following table, revenue is disaggregated by geographic region (using the location of the client as the basis of attributing revenues to the individual regions):

	Year Ended December 31,	
	2018	2017
United States & Canada	\$ 7,399,406	\$ 4,009,941
Asia Pacific	6,554,721	3,388,370
Europe	220,657	380,438
Total Revenues	\$ 14,174,784	\$ 7,778,749

#### (I) Government Grants

When the Company has been awarded government grants, revenue and cost reimbursements from government grants are recognized when it is probable that the Company will comply with the conditions attached to the grant arrangement and the grant proceeds 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. 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.

During the fiscal years ended December 31, 2018 and 2017, the Company did not recognize any revenue or cost reimbursements from government grants.

**(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 1999 and 2001, respectively. As such, all federal tax returns from 2000 to the present are subject to 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**

The following table sets forth the computation of basic and diluted net loss per share for the years ended December 31, 2018 and 2017:

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Numerator:		
Net loss	\$ (6,503,562)	\$ (4,778,316)
Denominator for basic and diluted net loss per common share:		
Weighted average number of shares of common stock outstanding - basic and diluted	54,183,772	50,038,799
Net loss per common share - basic and diluted	\$ (0.12)	\$ (0.10)

The following table sets forth the potential shares of common stock that are not included in the calculation of diluted net loss per share because to do so would be anti-dilutive as of the end of each period presented:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Non-vested stock bonus plan shares	169,872	57,760
Stock options outstanding	4,190,470	3,315,819
Warrants to purchase common stock	4,000,000	5,489,733

**(p) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets, obsolescence reserves, 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.

**(q) New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard was effective for us for the first fiscal year beginning after December 15, 2017. This standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application and providing additional disclosures. The Company adopted this standard in the quarter ending March 31, 2018 using the full retrospective method with the cumulative effect and additional disclosures at the period of adoption. The adoption of the standard did not have a material impact on the timing of the Company’s revenue recognition.

In November 2016, the FASB issued guidance on the Statement of Cash Flows and the presentation of restricted cash in the statement. The new standard will require the Statement of Cash Flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. As a result, the amounts generally described as restricted cash should be included in the cash and cash equivalents when reconciling the beginning of the period and end of the period total amounts shown on the Statement of Cash Flows. This is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied using the retrospective transition method in each period presented. The Company elected to early adopt this standard in the quarter ended June 30, 2017.

In February 2016, the FASB issued a new standard, ASU 2016-02, in which the lessee should recognize an asset and liability that arise from leases no matter the type of lease the company enters into. A lessee should recognize in the statement of financial position a liability allocated on a straight-line basis over the lease term to make lease payments and a right-of-use asset measured at the present value of the lease payments representing its right to use the underlying asset for the lease term. All cash payments should be classified in the operating activities section of the statement of cash flows. Another requirement under the new standard is that a company must separate the lease components from the nonlease components in a contract. Only the lease components are subject to ASU 2016-02 recognition and measurement. Lessees may make an accounting policy election to not separate lease components from nonlease components. Both qualitative and quantitative disclosures are required. Recognition and measurement is required at the beginning of the earliest period presented using a modified retrospective or cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company entered into a new operating lease in the quarter ended September 30, 2018 and is currently evaluating the effect on its financial statements.

**(2) Going Concern Assessment**

These Consolidated Financial Statements are presented on the basis that the Company will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As of December 31, 2018, the Company has sustained recurring losses from continuing operations, had a working capital deficit of \$836,263 and accumulated deficit of \$131,174,812. The Company’s cash and cash equivalents balance at December 31, 2018 was \$1,918,570.

On March 15, 2017, the Company entered into a non-revolving line of credit for \$5.6 million. The interest rate is variable based upon the one month LIBOR rate plus 4.0% per annum on the outstanding balance. The non-revolving line of credit will expire on September 15, 2019 and the amounts repaid during the term of the loan may not be reborrowed. At the expiry date, all outstanding principal and interest are due. As of December 31, 2018, \$4,664,529 was drawn on the line of credit. For additional information, see Note 8 of the Consolidated Financial Statements.

On January 21, 2019 the Company announced it had entered into an Agreement and Plan of Merger with Danfoss Power Solutions (“the Merger”). Under the terms of the Agreement the Company will continue as the surviving corporation and a wholly-owned subsidiary of Danfoss Power Solutions. The board of directors of the Company unanimously approved and declared advisable the Merger. If the transactions contemplated by the Merger Agreement are consummated, the Company shares will be delisted from the NYSE American stock exchange and deregistered under the Securities Exchange Act of 1934, as amended.

Our existing cash resources and cash generated from our revenues, are not expected to be sufficient to complete our business plan for the next twelve months. Should those resources be insufficient, we may need to renegotiate existing debt, secure additional debt or equity funding, which may not be available on terms acceptable to us, if at all. Therefore, management believes there is substantial doubt about the entity’s ability to continue as a going concern.

Management believes completion of the Plan of Merger with Danfoss Power Solutions described above mitigates the substantial doubt raised by our historical operating result and fulfilling our estimated liquidity needs twelve months from the issuance of the financial statements. The Plan of Merger with Danfoss Power Solutions is subject to approval by our shareholders and approval of the Committee on Foreign Investment in the United States (“CFIUS”) prior to completion, so therefore we are unable to predict with certainty the completion of the Merger.

### (3) Cash, cash equivalents, and restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the Consolidated Balance Sheets to the cash on the Consolidated Statements of Cash Flows for the periods ending December 31, 2018 and December 31, 2017.

	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 1,918,570	\$ 6,309,269
Restricted cash, current	296,314	176,193
Restricted cash, long-term	-	323,863
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	<u>\$ 2,214,884</u>	<u>\$ 6,809,325</u>

Restricted cash classified as a current asset on the Consolidated Balance Sheets represents the amount required to be set aside pursuant to a contractual agreement with the Company’s lender for the payment of interest on borrowings from the line of credit that is expected to be paid within the next twelve months. In addition, restricted cash included in other long-term assets on the Consolidated Balance Sheets represents interest due on the line of credit more than twelve months from the date of the financial statements as contractually required by the lender. The restrictions will lapse when the related long-term debt is paid off.

### (4) Contracts in Process

At December 31, 2018 and 2017, the estimated period to complete contracts in process ranged from one to three months and one to three months, respectively. We expect to collect all accounts receivable arising from these contracts within sixty days of billing. For the years ended December 31, 2018 and 2017, the Company did not incur any contract impairment charges. At December 31, 2018 there were no changes expected to existing contracts.

The following summarizes contracts in process:

	December 31, 2018	December 31, 2017
Costs incurred on engineering services contracts	\$ 1,008,715	\$ 56,175
Estimated earnings	688,227	144,665
	1,696,942	200,840
Less billings to date	(1,807,669)	(400,000)
Contracts in process	<u>\$ (110,727)</u>	<u>\$ (199,160)</u>

Included in the accompanying Consolidated Balance Sheets is as follows:

Deferred contract liability	(110,727)	(199,160)
Contracts in process	<u>\$ (110,727)</u>	<u>\$ (199,160)</u>

#### (5) Inventories

Inventories consist of:

	December 31, 2018	December 31, 2017
Raw materials	\$ 7,836,381	\$ 7,679,922
Work-in-process	351,402	289,848
Finished products	3,719,404	1,390,200
Reserve for obsolete or slow moving inventory	(7,123,300)	(7,018,610)
	<u>\$ 4,783,887</u>	<u>\$ 2,341,360</u>

As of December 31, 2018, we recorded an expense of \$169,954 to increase the reserve for obsolete or slow moving inventory and zero at December 31, 2017.

#### (6) Patents and Trademarks

Patents owned by the Company had a gross carrying amount of \$1,232,574 and \$1,175,952, accumulated amortization of \$972,553 and \$953,491, and a net carrying amount of \$260,021 and \$222,461, at December 31, 2018 and December 31, 2017, respectively. Trademarks owned by the Company had a gross carrying amount of \$175,841 and \$175,841, accumulated amortization of \$89,877 and \$85,381, and a net carrying value of \$85,964 and \$90,460 at December 31, 2018 and December 31, 2017, respectively. Patents and trademarks are amortized on a straight-line basis over the estimated useful life of the asset. The weighted-average period of amortization is eight years for patents, and forty years for trademarks.

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

	Patents	Trademarks
2019	\$ 12,316	\$ 4,496
2020	8,226	4,496
2021	8,226	4,496
2022	8,226	4,496
2022	8,226	4,496
Thereafter	214,801	63,484
	<u>\$ 260,021</u>	<u>\$ 85,964</u>

**(7) Other Current Liabilities**

Other current liabilities consist of:

	December 31, 2018	December 31, 2017
Accrued payroll and employee benefits	\$ 159,966	\$ 94,680
Accrued personal property and real estate taxes	235,133	235,133
Accrued warranty costs	598,415	333,431
Accrued fees to Sinotruk	160,000	-
Accrued import duties	87,100	87,100
Accrued legal fees	72,731	-
Accrued royalties	48,336	48,336
Other	32,469	21,159
	<u>\$ 1,394,150</u>	<u>\$ 819,839</u>

**(8) Debt**

On March 15, 2017, the Company entered into a non-revolving line of credit for \$5.6 million. The loan is collateralized by the Company's headquarters facility. The interest rate is variable based upon the one month LIBOR rate plus 4.0% per annum on the outstanding balance which was 6.52% as of December 31, 2018. As a condition of the loan, \$600,000 was immediately drawn on the line of credit to be used for monthly interest payments on borrowings over the life of the loan. This is reported as restricted cash on the Consolidated Balance Sheet as of December 31, 2018 and December 31, 2017. For additional information, see Note 3 to the Consolidated Financial Statements. The covenants under the debt agreement require the Company to have liquid assets of a minimum of \$1.5 million with the lender. In addition, financial statements are to be presented no later than 45 days after the end of each quarter and 90 days after the end of each fiscal year. These covenants took effect for the quarter ending June 30, 2017. As of December 31, 2018, the Company was in compliance with its covenants. The non-revolving line of credit will expire on September 15, 2019 and the amounts repaid during the term of the loan may not be re-borrowed. At the expiry date, all outstanding principal and interest are due. As of December 31, 2018, \$4,664,529 was drawn on the line of credit. The Company incurred deferred financing costs of \$73,060 upon securing the line of credit.

**(9) Commitments and Contingencies****Employment Agreements**

On July 21, 2015, the Company entered into employment agreements with its executive officers that expired on June 30, 2017. The July 2015 employment agreements provided for future retention payments under the conditions and for the amounts specified in the agreements. These future retention payments were recorded over the required service period and as a result, we had recorded a liability of \$272,222 at December 31, 2016. These retention bonuses were paid in July 2017.

Effective July 1, 2017, the Company entered into new employment agreements with its four executive officers, which expire December 31, 2019. The aggregate future base salary payable to the executive officers over their remaining terms is \$1,098,004.

**Lease Commitments**

During the year ended December 31, 2018 the Company entered into a four year lease for its service center in Shanghai, China. The Company recorded rent expense in 2018 of \$12,500 related to its service center lease. There were no operating leases and there was no rental expense during the year ended December 31, 2017.

**The Merger**

Under some circumstances, the Company may be required to pay a termination fee of \$3.5 million in connection with the termination of the Merger Agreement.



**Litigation**

Between February 20, 2019 and March 5, 2019, six shareholder complaints were filed in Colorado court related to the proposed Merger, and then on March 11, 2019 another shareholder complaint related to the proposed Merger was filed in the United States District Court for the Southern District of New York. .

On February 20, 2019, a putative shareholder class action complaint captioned *Carter v. UQM Technologies, Inc., et. al.*, (the “Carter Complaint”) was filed in the United States District Court for the District of Colorado against the Company and the members of its board of directors. The Carter Complaint alleges that the Company directors breached their fiduciary duties and the Company aided and abetted in the breach of fiduciary duties in connection with the negotiation and approval of the merger agreement by failing to maximize shareholder value, and it brings claims under Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), based on alleged failure to disclose material information in the February 22, 2019 preliminary proxy statement on Schedule 14(A) filed with the Securities and Exchange Commission. The Carter Complaint seeks to enjoin the Company and the directors and Company from proceeding with the stockholders meeting to vote on the Merger proposal and to otherwise enjoin the directors from consummating the merger, an accounting by the defendants for alleged damages sustained as a result of the alleged failure to meet their fiduciary duties, and plaintiff’s costs and attorneys’ and experts’ fees.

On February 22, 2019, a putative shareholder class action complaint captioned *Franchi v. UQM Technologies, Inc., et al.* , (the “Franchi Complaint”) was filed in state District court in Weld County, Colorado against the Company and the members of its board of directors. The Franchi Complaint asserts claims for (i) breach of fiduciary duty by the directors; (ii) indemnification by the Company to the plaintiff class; (iii) an injunction against the proposed merger; (iv) breach of fiduciary duty as a derivative action; and (v) waste of corporate assets against the individual directors on behalf of the Company. The Franchi Complaint seeks, among other things, certification of a plaintiff class, injunctive relief ordering the directors to fulfill their fiduciary duties to the Company and class, an accounting by the defendants for alleged damages sustained as a result of the alleged failure to meet their fiduciary duties, and plaintiff’s costs and attorneys’ and experts’ fees. The Defendants accepted service of the Franchi Complaint on February 26, 2019.

On February 25, 2019, a plaintiff shareholder complaint captioned *Lopez v. UQM Technologies, et al.* (the “Lopez Complaint”) was filed in the United States District Court for the District of Colorado. The Defendants accepted service of the Lopez Complaint on February 26, 2019. On March 1, 2019, a plaintiff shareholder complaint captioned *ETS Logistics, Inc. v. UQM Technologies, et al.*, (the “ETS Complaint”) was filed in the United States District Court for the District of Colorado. On March 5, 2019, a putative shareholder class action complaint captioned *Poston v. UQM Technologies, et al.*, (the “Poston Complaint”) was filed in the United States District Court for the District of Colorado. Also on March 5, 2019, a putative shareholder class action complaint captioned *Arukala v. UQM Technologies, et al.*, (the “Arukala Complaint”) was filed in the United States District Court for the District of Colorado. The Lopez Complaint, the ETS Complaint, the Poston Complaint, and the Arukala Complaint bring claims under Section 14(a) and Section 20(a) of the Exchange Act based on alleged failure to disclose material information in the February 22, 2019 preliminary proxy statement filed with the SEC. The class action complaints seek, among other things, certification of a plaintiff class, and each of the Lopez Complaint, ETS Complaint, Poston Complaint, and Arukala Complaint seeks injunctive relief to prevent the parties from proceeding with, consummating, or closing the Merger Agreement and the subsequent Merger contemplated by the Merger Agreement unless allegedly omitted material information is disclosed in the proxy; an accounting by the defendants for alleged damages sustained by the plaintiffs; and unspecified plaintiff’s costs and attorneys’ and experts’ fees.

On March 11, 2019, a putative shareholder class action complaint captioned *David Gunderson v. UQM Technologies, Inc., et al.* , (the “Gunderson Complaint”) was filed in United States District Court for the Southern District of Southern New York against the Company and the members of its board of directors. The Gunderson Complaint asserts claims under Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), based on alleged failure to disclose material information in the March 7, 2019 definitive proxy statement on Schedule 14(A) filed with the Securities and Exchange Commission.

The Company believes each of the claims asserted in the above captioned complaints relating to this Merger are without merit and the Company and its directors intend to vigorously contest them. Management does not believe that the outcome of this litigation will have a material impact on the financial condition of the Company.

**(10) Fair Value of Financial Instruments**

The carrying amounts of cash, cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

The Company measures the fair value of outstanding debt for disclosure purposes on a recurring basis and its long-term debt of \$4,656,757 is reported at amortized cost. The Company’s long-term debt is subject to variable rates of interest and accordingly its carrying value is considered to be representative of its fair market value.

**(11) Stockholders’ Equity**

The Company has warrants outstanding as follows:

Offering Date	Common Stock Follow-on Offering (Shares)	Warrants Under Option (Shares)	Earliest Exercise Date	Expiration Date	
October, 2015	8,000,000	4,000,000	April 30, 2016	October 30, 2020	
			Warrants Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life
Outstanding at December 31, 2017			5,489,733	\$ 1.53	2.3 years
Granted			-	\$ -	
Exercised			-	\$ -	
Forfeited			(1,489,733)	\$ 2.13	
Outstanding at December 31, 2018			<u>4,000,000</u>	\$ 1.31	1.8 years
Exercisable at December 31, 2018			<u>4,000,000</u>	\$ 1.31	1.8 years

**(12) Stock-Based Compensation**

Stock Option Plans

As of December 31, 2018, we had 7,100,000 shares of common stock authorized and 3,661,320 shares of common stock available for future grant to employees and consultants under our 2012 Equity Incentive Plan (“Plan”). 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 have a ten year term and 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. 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.

We also have 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. As of December 31, 2018, we had 1,000,000 shares of common stock authorized and 434,557 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 vest immediately. Forfeitures under the Directors Plan are available for re-issuance at a future date.

Stock Bonus Plan

We have a Stock Bonus Plan (“Stock Plan”) administered by the Board of Directors. As of December 31, 2018, we had 2,854,994 shares of common stock authorized and there were 538,747 shares of common stock available for future grant under the Stock Plan. 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.

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. At December 31, 2018, we had 1,200,000 shares of common stock authorized and 500,354 shares of common stock available for issuance under the Stock Purchase Plan.

Share-Based Compensation Expense

We use the straight-line attribution method to recognize share-based compensation costs over the requisite service period of the award. The exercise price of options is equal to the market price of our common stock (defined as the closing price reported by the NYSE American stock exchange) on the date of grant. 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 December 31, 2018 and 2017 was insignificant.

We use the Black-Scholes-Merton option pricing model for estimating the fair value of stock option awards. The expected volatility and the expected life of options granted are based on historical experience, and the risk free interest rate is obtained from the U.S. Department of the Treasury daily yield curve rates. 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 December 31, 2018 and 2017 were based on estimates at the date of grant as follows:

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Weighted average estimated fair value of grant	\$ 1.23 per option	\$ 0.59 per option
Expected life (in years)	6.9 years	6.0 years
Risk free interest rate	2.91 %	2.07 %
Expected volatility	82.82 %	83.52 %
Expected dividend yield	0.00 %	0.00 %

Total share-based compensation expense and the classification of these expenses for the years ended December 31, 2018 and 2017 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Costs of product sales	\$ 71,737	\$ 23,033
Costs of contract services	21,429	5,447
Research and development	52,866	51,596
Selling, general and administrative	530,830	266,477
	<b>\$ 676,862</b>	<b>\$ 346,553</b>

*Stock Option Plans Activity*

Additional information with respect to stock option activity during the year ended December 31, 2018 under our stock option plans is as follows:

	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2017	3,295,502	\$ 1.16	6.3 years	\$ 1,383,525
Granted	1,098,322	\$ 1.24		-
Exercised	(37,672)	\$ 0.70		-
Forfeited	(165,682)	\$ 1.53		7,178
Outstanding at December 31, 2018	<u>4,190,470</u>	\$ 1.16	6.5 years	\$ 170,233
Exercisable at December 31, 2018	<u>2,713,933</u>	\$ 1.20	5.2 years	\$ 140,211
Vested and expected to vest at December 31, 2018	<u>3,479,842</u>	\$ 1.25	6.4 years	\$ 79,492

Additional information with respect to stock option activity during the year ended December 31, 2017 under our stock option plans is as follows:

	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2016	3,004,798	\$ 1.40	6.4 years	\$ -
Granted	500,047	\$ 0.87		-
Exercised	(72,347)	\$ 0.82		-
Forfeited	(136,996)	\$ 1.16		1,120
Outstanding at December 31, 2017	<u>3,295,502</u>	\$ 1.16	6.3 years	\$ 1,383,525
Exercisable at December 31, 2017	<u>2,364,161</u>	\$ 1.32	5.3 years	\$ 807,799
Vested and expected to vest at December 31, 2017	<u>2,864,152</u>	\$ 1.23	6.0 years	\$ 1,078,322

The weighted-average grant date fair value of options granted during the years ended December 31, 2018 and 2017, was \$1.23 and \$0.59, respectively.

As of December 31, 2018, there was \$864,157 of total unrecognized compensation costs related to stock options granted under our various stock option plans. The unrecognized compensation cost is expected to be recognized over a weighted-average period of twenty-three months. The total fair value of stock options that vested during the years ended December 31, 2018 and 2017 was \$ 1,075,292 and \$236,329 respectively.

Cash received by us upon the exercise of stock options for the years ended December 31, 2018 and 2017, was \$26,495 in 2018 and \$59,533 in 2017. The source of shares of common stock issuable upon the exercise of stock options is from authorized and previously unissued common shares.

*Stock Bonus Plan Activity*

Activity with respect to non-vested shares under the Stock Bonus Plan as of December 31, 2018 and December 31, 2017 and the changes during the above noted periods are presented below:

	Year ended December 31,			
	2018		2017	
	Shares Under Contract	Weighted-Average Grant Date Fair Value	Shares Under Contract	Weighted-Average Grant Date Fair Value
Unvested at beginning of period	57,760	\$ 0.68	102,048	\$ 0.84
Granted	188,191	\$ 1.25	23,735	\$ 0.87
Vested	(76,079)	\$ 1.03	(68,023)	\$ 0.98
Forfeited	-	\$ -	-	\$ -
Unvested at end of period	169,872	\$ 1.15	57,760	\$ 0.68

As of December 31, 2018, there was \$137,225 of total unrecognized compensation costs related to common stock granted under our Stock Bonus Plan. The unrecognized compensation cost at December 31, 2018 is expected to be recognized over a weighted-average period of eighteen months.

*Stock Purchase Plan Activity*

During the years ended December 31, 2018 and 2017, we issued 55,964 and 116,023 shares of common stock, respectively, under the Stock Purchase Plan. Cash received by us upon the purchase of shares under the Stock Purchase Plan for the years ended December 31, 2018 and 2017 was \$53,199 and \$53,761, respectively.

**(13) Significant Customers**

We have historically derived significant revenue from a few key customers. The following table summarizes revenue and percent of total revenue from significant customers for the years ended December 31, 2018 and 2017:

	Year Ended December 31,			
	2018		2017	
Customer A	\$ 3,022,096	21 %	\$ 1,974,000	12 %
Customer B	\$ 2,442,761	17 %	\$ 1,714,876	10 %
Customer C	\$ 1,494,210	11 %	\$ 300,000	2 %

The following table summarizes accounts receivable from significant customers as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Customer A	- %	- %
Customer B	30 %	67 %
Customer C	4 %	- %

**(14) Income Taxes**

On December 22, 2017 (the "Enactment Date"), the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code and key provisions applicable, or that may be applicable, to us or certain of UQM Technologies Inc.'s existing or potential customers for 2018 include the following: (1) reduction of the U.S. federal corporate tax rate from 35 % to 21 % percent; (2) elimination of the corporate alternative minimum tax (AMT); (3) a new limitation on deductible interest expense; (4) limitations on the deductibility of certain executive compensation; (5) limitations on the use of foreign tax credits to reduce the U.S. income tax liability; (6) limitations on net operating losses ("NOL") generated after December 31, 2017 to 80 percent of taxable income; and (7) the introduction of the Base Erosion Anti-Abuse Tax ("BEAT") for tax years beginning after December 31, 2017.

Concurrent with the enactment of the Tax Act, in December 2017, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Enactment Date for companies to complete the accounting under Accounting Standards Codification 740 - *Income Taxes* ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that an entity's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

Our assessment and accounting for the income tax effects of the Tax Act affecting our consolidated financial statements is generally complete, subject to continued evaluation under SAB 118. The change in federal corporate income tax rate from 35% to 21% was enacted in 2017 and effective January 1, 2018. For 2017, the rate change does not impact the calculation of current income tax liability but does require the future rate to be applied to deferred income tax assets and liabilities that exist at December 31, 2017. An expense of \$13.3 million was recorded to deferred income tax expense for this change. An adjustment to the effective tax rate is also required to reflect the different rates (35% and 21%) applied to currently arising temporary differences for current tax and deferred tax. There is no P&L impact of these adjustments as the valuation allowance will have a corresponding adjustment to offset any changes to the deferred tax asset.

Income tax benefit attributable to loss from operations differed from the amounts computed by applying the U.S. federal income tax rate of 21 percent to December 31, 2018 and 34 percent to December 31, 2017 and to the prior years as a result of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Computed "expected" tax benefit	\$ (1,365,746)	\$ (1,608,777)
Increase (decrease) in taxes resulting from:		
Foreign Rate Differential	4,255	-
Increase (decrease) in valuation allowance for net deferred tax assets	1,482,507	(13,303,260)
Change in rate on deferred opening balance	-	13,289,000
Other Adjustments	(9,044)	1,662,208
Other, net	(111,972)	(39,171)
Income tax expense	<u>\$ —</u>	<u>\$ —</u>

The components of the Company’s federal and state deferred tax assets and liabilities at December 31, 2018 and 2017 are shown below. The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset are:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Research and development credit carry-forwards	\$ 4,073	\$ 4,073
Net operating loss carry-forwards	24,259,168	22,947,741
Deferred compensation	14,160	9,443
Property and equipment	75,274	75,545
Stock Compensation	691,991	659,526
Other	2,168,122	2,033,592
Total deferred tax assets	27,212,788	25,729,920
Deferred tax liabilities:		
Intangible assets	35,571	35,211
Total deferred tax liabilities	35,571	35,211
Net deferred tax assets	27,177,217	25,694,709
Less valuation allowance	(27,177,217)	(25,694,709)
Deferred tax assets, net of valuation allowance	\$ —	\$ —

As of December 31, 2018 and December 31, 2017, respectively, we had NOL carry-forwards of approximately \$100.6 million and \$95.3 million, respectively for U.S. income tax purposes that expire in varying amounts through 2038. At December 31, 2017, 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. At December 31, 2017, the new accounting pronouncements (ASU 2016-09) changed the accounting for net operating losses allowing recognition in 2017. 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 \$27.2 million and \$25.7 million at December 31, 2018 and December 31, 2017, respectively, relates principally to the uncertainty of the utilization of deferred tax assets 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.

**(15) 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 \$148,255 and \$118,512, for the years ended December 31, 2018 and 2017 respectively.

**(16) Interim Financial Data (Unaudited)**

	Quarters Ended			
	March 31,	June 30,	September 30,	December 31,
<u>Year ended December 31, 2018</u>				
Sales	\$ 1,611,574	\$ 2,701,655	\$ 4,385,422	\$ 5,476,133
Gross profit	\$ 306,671	\$ 720,484	\$ 1,039,253	\$ 1,301,277
Net loss	\$ (1,932,798)	\$ (2,469,726)	\$ (1,141,573)	\$ (959,465)
Net loss per common share basic and diluted:	\$ (0.04)	\$ (0.05)	\$ (0.02)	\$ (0.01)

	Quarters Ended			
	March 31,	June 30,	September 30,	December 31,
<u>Year ended December 31, 2017</u>				
Sales	\$ 1,015,045	\$ 1,788,955	\$ 2,752,554	\$ 2,222,195
Gross profit	\$ 326,132	\$ 701,764	\$ 1,281,220	\$ 816,445
Net loss	\$ (1,606,026)	\$ (1,348,221)	\$ (543,401)	\$ (1,280,668)
Net loss per common share basic and diluted:	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.03)

**(17) Subsequent Events**

As described in Note 2 and elsewhere in this Annual Report, on January 21, 2019, we entered into the Merger Agreement with Danfoss and Merger Sub, and if the merger transaction thereby is effected, the Company will become a wholly owned subsidiary of Danfoss Power Solutions (US) Company.

Since the announcement of the Merger on January 21, 2019, holders of the Company's warrants have exercised 1,950,115 warrants. In exchange for issuing the common shares for the warrants, the Company received \$2,554,651.

On March 11, 2019, we entered into a Change in Terms Agreement with Bank of the West that served to, among other things, extend the maturity date of the promissory note evidencing our debt obligations to September 15, 2019.

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

Effective November 16, 2017, and as described in a Current Report on Form 8-K dated November 16, 2017, Hein & Associates LLP ("Hein"), the independent registered public accounting firm for the Company, merged with Moss Adams LLP ("Moss Adams"). As a result of this transaction, on November 16, 2017, Hein resigned as the independent registered public accounting firm for the Company. Concurrent with such resignation of Hein, the Company's audit committee approved the engagement of Moss Adams as the new independent registered public accounting firm for the Company effective for the year ended December 31, 2017.

**ITEM 9A. CONTROLS AND PROCEDURES****Disclosure Controls And Procedures**

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018 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 December 31, 2018, 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 Exchange Act) were effective to ensure that the information required to be disclosed by our management in the reports that it files or submits under the Exchange Act 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 (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), 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 December 31, 2018. In making this assessment, it used the criteria described in the 2013 “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2018, 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.

#### **Attestation Report of the Registered Public Accounting Firm**

This Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management’s report in this Form 10-K.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

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 2019 Annual Meeting of Shareholders or an amendment to be filed to this Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated by reference from and contained under the headings “Executive Compensation”, “Option Grants during Fiscal Year 2018,” “Aggregate Option Exercises During Fiscal Year 2018,” “Option Values at the End of Fiscal Year 2018,” “Director Compensation,” “Compensation discussion and Analysis,” “Compensation and Benefits Committee Report,” and “Compensation Committee Interlocks” in our definitive Proxy Statement for the 2019 Annual Meeting of Shareholders or an amendment to be filed to this Form 10-K.

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

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 2019 Annual Meeting of Shareholders or an amendment to be filed to this Form 10-K.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

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 2019 Annual Meeting of Shareholders or an amendment to be filed to this Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

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 2019 Annual Meeting of Shareholders or an amendment to be filed to this Form 10-K.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. Financial Statements

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

[Reports of Independent Registered Public Accounting Firm.](#)

[Consolidated Balance Sheets, December 31, 2018 and 2017.](#)

[Consolidated Statements of Operations for the Year Ended December 31, 2018 and Year Ended December 31, 2017](#)

[Consolidated Statements of Stockholders' Equity for the Year Ended December 31, 2018 and Year Ended December 31, 2017](#)

[Consolidated Statements of Cash Flows for the Year Ended December 31, 2018 and Year Ended December 31, 2017](#)

[Notes to Consolidated Financial Statements.](#)

2. Financial Statement Schedules:

Valuation and Qualifying Accounts. See note 1(e) to the Consolidated Financial Statements above.

3. Exhibits:

2.1 [Agreement and Plan of Merger dated January 21, 2019, among UQM Technologies, Inc., Danfoss Power Solutions \(US\) Company and Danfoss-2019 Merger Sub Inc. Reference is made to Exhibit 2.1 of our current report on Form 8-K filed on January 22, 2019, which is incorporated herein by reference.](#)

3.1 [Amended and Restated Articles of Incorporation as further amended. Reference is made to Exhibit 3.1 of our current report on Form 8-K filed on January 10, 2017, which is incorporated herein by reference.](#)

3.2 [Bylaws, as amended. Reference is made to Exhibit 3.2 of our Annual Report on Form 10-K filed May 30, 2014, 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, which is incorporated herein by reference.

4.2 [Form of Common Stock Purchase Warrant \(expiration August 5, 2018\). Reference is made to Exhibit 4.1 of our current report on Form 8-K, filed February 5, 2014, which is incorporated herein by reference.](#)

4.3 [Form of Common Stock Purchase Warrant \(expiration October 30, 2020\). Reference is made to Exhibit 4.1 of our current report on Form 8-K, filed October 30, 2015, which is incorporated herein by reference.](#)

10.1 [Credit Agreement dated March 15, 2017 between UQM Properties, Inc. and Bank of the West pertaining to the Company's working capital and cash management non-revolving line of credit. Reference is made to Exhibit 4.4 of our Transition Report on Form 10-KT filed March 30, 2017, which is incorporated herein by reference.](#)

10.2 [Supply Agreement dated October 20, 2015 by and between ITL and UQM Technologies, Inc. Reference is made to Exhibit 10.1 of our current report on Form 8-K filed on October 26, 2015, which is incorporated herein by reference.](#)

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- 10.3 [Employment Agreement dated as of July 1, 2017, between UQM Technologies, Inc. and Joseph R. Mitchell. \\*\\* Reference is made to Exhibit 10.1 of our Current Report on Form 8-K filed on July 6, 2017, which is incorporated herein by reference.](#)
- 10.4 [First Amendment to Employment Agreement, dated as of September 25, 2017, between UQM Technologies, Inc. and Joseph R. Mitchell. \\*\\* Reference is made to Exhibit 10.1 of our Current Report on Form 8-K filed on September 29, 2017, which is incorporated herein by reference.](#)
- 10.5 [Employment Agreement dated as of July 1, 2017, between UQM Technologies, Inc. and David I. Rosenthal. \\*\\* Reference is made to Exhibit 10.2 of our Current Report on Form 8-K filed on July 6, 2017, which is incorporated herein by reference.](#)
- 10.6 [Employment Agreement dated as of July 1, 2017, between UQM Technologies, Inc. and Adrian P. Schaffer. \\*\\* Reference is made to Exhibit 10.3 of our Current Report on Form 8-K filed on July 6, 2017, which is incorporated herein by reference.](#)
- 10.7 [Stock Bonus Plan. \\*\\* Reference is made to Exhibit 10.2 of our Current Report on Form 8-K filed on August 12, 2005, which is incorporated herein by reference.](#)
- 10.8 [Amendment to UQM Technologies, Inc. Stock Bonus Plan dated May 9, 2012. \\*\\* Reference is made to Exhibit 10.22 of our Annual Report on Form 10-K filed May 24, 2012, which is incorporated herein by reference.](#)
- 10.9 [Amendment to UQM Technologies, Inc. Stock Bonus Plan adopted August 13, 2014.\\*\\* Reference is made to Appendix B of our Proxy Statement filed July 2, 2014, which is incorporated herein by reference.](#)
- 10.10 [UQM Technologies, Inc. 2012 Equity Incentive Plan adopted April 11, 2012.\\*\\* Reference is made to Exhibit 10.19 of our Annual Report on Form 10-K filed May 24, 2012, which is incorporated herein by reference.](#)
- 10.11 [Amendment to UQM Technologies, Inc. 2012 Equity Incentive Plan adopted August 13, 2014.\\*\\* Reference is made to Appendix A of our Proxy Statement filed July 2, 2014, which is incorporated herein by reference.](#)
- 10.12 [Amended and Restated UQM Technologies, Inc. Employee Stock Purchase Plan. \\*\\* Reference is made to Appendix A of our Proxy Statement filed October 25, 2017, which is incorporated herein by reference.](#)
- 10.13 [UQM Technologies, Inc. Outside Director Stock Option Plan amended November 2, 2011. \\*\\* Reference is made to Exhibit 10.21 of our Annual Report on Form 10-K filed May 24, 2012, which is incorporated herein by reference.](#)
- 10.14 [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, 2008, which is incorporated herein by reference.](#)
- 10.15 [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, 2008, which is incorporated herein by reference.](#)
- 10.16 [Form of Restricted Stock Agreement, amended May 9, 2012. \\*\\* Reference is made to Exhibit 10.20 of our Annual Report on Form 10-K filed May 24, 2012, which is incorporated herein by reference.](#)
- 10.17 Omitted.
- 10.18 [Registration Rights Agreement, dated September 25, 2017, between UQM Technologies, Inc. and Sinotruk \(BVI\) Limited. Reference is made to Exhibit 10.1 of our Current Report on Form 8-K filed on September 28, 2017, which is incorporated herein by reference.](#)

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10.19	<a href="#">Joint Venture Agreement, dated November 30, 2017, among China National Heavy Duty Truck Group Co., Ltd., UQM Technologies, Inc., and Sinotruk Global Village Investment Limited. Reference is made to Exhibit 10.1 of our Current Report on Form 8-K filed on December 1, 2017, which is incorporated herein by reference.</a>
10.20	<a href="#">Technology License and Services Agreement, dated November 6, 2017, between UQM Technologies, Inc. and Sinotruk Qingdao Zhongqi New Energy Automobile Co., Ltd. Reference is made to Exhibit 10.1 of our Current Report on Form 8-K filed on December 27, 2017, which is incorporated herein by reference.</a>
10.21	<a href="#">Form of Voting Agreement. Reference is made to Exhibit 2.1 of our current report on Form 8-K filed on January 22, 2019, which is incorporated herein by reference.</a>
10.22	<a href="#">Changes in Terms Agreement between UQM Properties, Inc. and Bank of the West dated March 11, 2019. Filed herewith.</a>
16.1	<a href="#">Letter of Hein &amp; Associates LLP. Reference is made to Exhibit 16.1 of our Current Report on Form 8-K filed on November 17, 2017, which is incorporated herein by reference.</a>
21.1	<a href="#">Subsidiaries of the Company.</a>
23.1	<a href="#">Consent of Moss Adams LLP.</a>
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

\*\* management contract or compensation plan.

Paper filing

**ITEM 16. FORM 10-K SUMMARY**

None.

## 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 27<sup>th</sup> day of March, 2019.

UQM TECHNOLOGIES, INC.,  
a Colorado Corporation

By: /s/ JOSEPH MITCHELL

Joseph Mitchell  
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/ DONALD W. VANLANDINGHAM</u> Donald W. Vanlandingham	Chairman of the Board of Directors	March 27, 2019
<u>/s/JOSEPH R. MITCHELL</u> Joseph R. Mitchell	President and Chief Executive Officer	March 27, 2019
<u>/s/DAVID I. ROSENTHAL</u> David I. Rosenthal	Treasurer and Secretary (Principal Financial and Accounting Officer)	March 27, 2019
<u>/s/STEPHEN J. ROY</u> Stephen J. Roy	Director	March 27, 2019
<u>/s/JOSEPH P. SELLINGER</u> Joseph P. Sellinger	Director	March 27, 2019
<u>/s/JOHN E. SZTYKIEL</u> John E. Szykiel	Director	March 27, 2019

## CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$5,600,000.00	03-15-2017	09-15-2019	0000000026	256626	1060899123	NFR12	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: UQM PROPERTIES, INC.  
4120 SPECIALTY PL  
LONGMONT, CO 80504

Lender: BANK OF THE WEST  
SME BBC Northern Front Range #21193  
12000 North Washington  
Thornton, CO 80241

Principal Amount: \$5,600,000.00

Date of Agreement: March 11, 2019

DESCRIPTION OF EXISTING INDEBTEDNESS.

Promissory Note dated March 15, 2017 in the original principal amount of \$5,600,000.00.

DESCRIPTION OF COLLATERAL.

An Assignment of Rents dated March 15, 2017 and a Deed of Trust dated March 15, 2017.

DESCRIPTION OF CHANGE IN TERMS.

1. Extension of Maturity Date. Consistent with our existing periodic payment arrangement, the Maturity Date of the Promissory Note shall be extended to September 15, 2019.
2. Conditions Precedent. As a condition precedent to the effectiveness of this Change in Terms Agreement, Borrower agrees to pay Lender an Origination Fee of \$14,000.00 due at signing and \$14,000.00 due June 30, 2019, and an Appraisal Fee of \$4,120.00 to be paid in cash.
3. Conditions Precedent. As a condition precedent to the effectiveness of this Change in Terms Agreement, Borrower agrees to pay a fee of \$200.00, to be paid in cash to Homestead Title.

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement if any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

BORROWER:

UQM PROPERTIES, INC.

By: /s/ DAVID I. ROSENTHAL  
DAVID I. ROSENTHAL, Chief Financial Officer/  
Treasurer/ Secretary of UQM PROPERTIES, INC.

CHANGE IN TERMS

Principal	Loan Date 03-15-2017	Maturity	Loan No MASTER	Call / Coll 256626	Account 1060899123	Officer NFR12	Initials
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: UQM PROPERTIES, INC.  
4120 SPECIALTY PL  
LONGMONT, CO 80504

Lender: BANK OF THE WEST  
SME BBC Northern Front Range #21193  
12000 North Washington  
Thornton, CO 80241

**Date of Agreement: March 11, 2019**

DESCRIPTION OF EXISTING INDEBTEDNESS.

For existing Indebtedness, refer to the definition of "Note" In the Business Loan Agreement (Master) dated March 15, 2017.

DESCRIPTION OF CHANGE IN TERMS.

1. The heading captioned "Prohibition on Leasing to Marijuana Related Businesses" is hereby added to the Business Loan Agreement (Master) under the section headed NEGATIVE COVENANTS as follows:

**Prohibition on Leasing to Marijuana Related Businesses.** During the life of the Loan, Borrower shall not lease space to any business engaged in any activity that is illegal under federal, state or local law, including, without limitation a marijuana-related business. For purposes hereof, a "marijuana-related business" means any business that (i) grows, produces, processes, distributes or sells marijuana or marijuana products, edibles or derivatives (collectively, "marijuana"), regardless of the amount of such activity; (ii) derived any of its gross revenue for the previous year or projects to derive any of its gross revenue for the next year from sales to any business described In subparts (i), (ii) or (iii) of this subsection or otherwise could reasonably be determined to support the use, growth, enhancement or other development of marijuana, including the provision of services or the selling of goods that may be used directly or indirectly in any such business or in the use or consumption of marijuana; and (iii) a business that grows, produces, processes, distributes or sells products purportedly made from hemp, unless the business can demonstrate that its hemp-related business activities and products are legal under federal and state law.

2. The heading captioned "Sale or Transfer of Ownership Interests of a Guarantor" is hereby added to the Business Loan Agreement (Master) under the section headed DEFAULT as follows:

**Sale or Transfer of Ownership Interests of a Guarantor .** The direct or indirect sale or other transfer of more than 25% in the aggregate of the shares of any stock of Guarantor, if a corporation, of the membership interests of Guarantor, if a limited liability company, of the partnership interests of Guarantor, if a partnership, or of any other ownership interests of Guarantor, or a change in the trust beneficiaries of Guarantor, if trustee(s) of a trust, or entering into any agreement for such sale or other transfer or change in trust beneficiaries made without Lender's prior written consent. To the extent of any conflict between this subsection and the subsection headed Change of Ownership, this subsection shall control.

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL OF THE PROVISIONS OF THIS AGREEMENT. BORROWER AGREES TO THE TERMS OF THIS AGREEMENT.

CHANGE IN TERMS SIGNERS:

BORROWER:

UQM PROPERTIES, INC.

By: /s/ DAVID I. ROSENTHAL  
DAVID I. ROSENTHAL, Chief Financial Officer/  
Treasurer/ Secretary of UQM PROPERTIES, INC.

LENDER:

BANK OF THE WEST

X /s/ GABRIEL AREBALO  
GABRIEL AREBALO, Relationship Manager



**COMMERCIAL GUARANTY**

<b>Principal</b> <b>\$5,600,000.00</b>	<b>Loan Date</b> <b>03-15-2017</b>	<b>Maturity</b> <b>09-15-2019</b>	<b>Loan No</b>	<b>Call / Coll</b> <b>256626</b>	<b>Account</b> <b>1060899123</b>	<b>Officer</b> <b>NFR12</b>	<b>Initials</b>
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: UQM PROPERTIES, INC.  
4120 SPECIALTY PL  
LONGMONT, CO 80504

Lender: BANK OF THE WEST  
SME BBC Northern Front Range #21193  
12000 North Washington  
Thornton, CO 80241

Guarantor: UQM TECHNOLOGIES, INC.  
4120 SPECIALTY PL  
LONGMONT, CO 80504

**CONTINUING GUARANTEE OF PAYMENT AND PERFORMANCE.** For good and valuable consideration, Guarantor absolutely and unconditionally guarantees full and punctual payment and satisfaction of the Indebtedness of Borrower to Lender, and the performance and discharge of all Borrower's obligations under the Note and the Related Documents. This is a guaranty of payment and performance and not of collection, 50 Lender can enforce this Guaranty against Guarantor even when Lender has not exhausted Lender's remedies against anyone else obligated to pay the Indebtedness or against any collateral securing the Indebtedness, this Guaranty or any other guaranty of the Indebtedness. Guarantor will make any payments to Lender or its order, on demand, in legal tender of the United States of America, in same-day funds, without set-off or deduction or counterclaim, and will otherwise perform Borrower's obligations under the Note and Related Documents. Under this Guaranty, Guarantor's liability is unlimited and Guarantor's obligations are continuing.

**INDEBTEDNESS.** The word "Indebtedness" as used in this Guaranty means all of the principal amount outstanding from time to time and at any one or more times, accrued unpaid interest thereon and all collection costs and legal expenses related thereto permitted by law, attorneys' fees, arising from any and all debts, liabilities and obligations of every nature or form, now existing or hereafter arising or acquired, that Borrower individually or collectively or interchangeably with others, owes or will owe Lender. "Indebtedness" includes, without limitation, loans, advances, debts, overdraft indebtedness, credit card indebtedness, lease obligations, liabilities and obligations under any interest rate protection agreements or foreign currency exchange agreements or commodity price protection agreements, other obligations, and liabilities of Borrower, and any present or future judgments against Borrower, future advances, loans or transactions that renew, extend, modify, refinance, consolidate or substitute these debts, liabilities and obligations whether: voluntarily or involuntarily incurred; due or to become due by their terms or acceleration; absolute or contingent; liquidated or unliquidated; determined or undetermined; direct or indirect; primary or secondary in nature or arising from a guaranty or surety; secured or unsecured; joint or several or joint and several; evidenced by a negotiable or non-negotiable instrument or writing; originated by Lender or another or others; barred or unenforceable against Borrower for any reason whatsoever; for any transactions that may be voidable for any reason (such as infancy, insanity, ultra vires or otherwise); and originated then reduced or extinguished and then afterwards increased or reinstated.

If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unperfected guaranties.

**CONTINUING GUARANTY.** THIS IS A "CONTINUING GUARANTY" UNDER WHICH GUARANTOR AGREES TO GUARANTEE THE FULL AND PUNCTUAL PAYMENT, PERFORMANCE AND SATISFACTION OF THE INDEBTEDNESS OF BORROWER, TO LENDER, NOW EXISTING OR HEREAFTER ARISING OR ACQUIRED, ON AN OPEN AND CONTINUING BASIS. ACCORDINGLY, ANY PAYMENTS MADE ON THE INDEBTEDNESS WILL NOT DISCHARGE OR DIMINISH GUARANTOR'S OBLIGATIONS AND LIABILITY UNDER THIS GUARANTY FOR ANY REMAINING AND SUCCEEDING INDEBTEDNESS EVEN WHEN ALL OR PART OF THE OUTSTANDING INDEBTEDNESS MAY BE A ZERO BALANCE FROM TIME TO TIME.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all the Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include the Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. For this purpose and without limitation, "new Indebtedness" does not include all or part of the Indebtedness that is: incurred by Borrower prior to revocation; incurred under a commitment that became binding before revocation; any renewals, extensions, substitutions, and modifications of the indebtedness. This Guaranty shall bind Guarantor's estate as to the Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. It is anticipated that fluctuations may occur in the aggregate amount of the Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of the Indebtedness, even to zero dollars (\$0.00), shall not constitute a termination of this Guaranty. This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the Indebtedness remains unpaid and even though the Indebtedness may from time to time be zero dollars (\$0.00).

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty, (B) this Guaranty is executed at Borrower's request and not at the request of Lender, (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Indebtedness or of any nonpayment related to any collateral, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Indebtedness or in connection with the creation of new or additional loans or obligations; (C) to resort for payment or to proceed directly or at once against any person, including Borrower or any other guarantor; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

Guarantor also waives any and all rights or defenses based on suretyship or impairment of collateral including, but not limited to, any rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge of the indebtedness on the basis of unjustified impairment of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit brought by Lender against Guarantor is commenced, there is outstanding Indebtedness which is not barred by any applicable statute of limitations; or (F) any defenses given to guarantors at law or in equity other than actual payment and performance of the indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Guarantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Guarantor authorizes Lender, to the extent permitted by applicable law, to hold these funds if there is a default, and Lender may apply the funds in these accounts to pay what Guarantor owes under the terms of this Guaranty.

SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR. Guarantor agrees that the Indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

LIMITATION ON SALE OR TRANSFER OF EQUITY INTERESTS IN GUARANTOR. Guarantor acknowledges that a material condition to Lender's agreement to the terms of the Indebtedness, including but not limited to interest rate and repayment terms, is the common ownership of Borrower and Guarantor. Accordingly, while this Agreement remains in effect (including any renewal, replacement, refinancing, restatement or other modification of this Agreement), Guarantor shall not, without Lender's prior written consent: (i) directly or indirectly sell or otherwise transfer in the aggregate more than 25% of the shares of common stock of Guarantor, if a corporation, of the membership interests of Guarantor, if a limited liability company, of the partnership interests of Guarantor, if a partnership, or of any other equitable ownership interests of Guarantor, (ii) change the trust beneficiaries if Guarantor is a trustee of a trust or (iii) enter into any agreement for such sale or other transfer of ownership or such change in trust beneficiary. If Lender consents to any such a sale or transfer of ownership or change in trust beneficiaries, Lender may condition its consent upon Borrower's agreement to modifications to the terms of the Indebtedness as required by Lender in its sole discretion, including without limitation an increase in the interest rate and other changes to the repayment terms of Indebtedness.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's reasonable costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the reasonable costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Governing Law.** This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Colorado without regard to its conflicts of law provisions.

**Choice of Venue.** If there is a lawsuit, Guarantor agrees upon Lender's request to submit to the jurisdiction of the courts of Adams County, State of Colorado.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

**Interpretation.** In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

**Notices.** Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Successors and Assigns.** Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

**Waive Jury.** Lender and Guarantor hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Guarantor against the other.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Borrower.** The word "Borrower" means UQM PROPERTIES, INC. and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Guarantor.** The word "Guarantor" means everyone signing this Guaranty, including without limitation UQM TECHNOLOGIES, INC., and in each case, any signer's successors and assigns.

**Guaranty.** The word "Guaranty" means this guaranty from Guarantor to Lender.

**Indebtedness.** The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty. Lender. The word "Lender" -means BANK OF THE WEST, its successors and assigns.

**Note.** The word "Note" means and includes without limitation all of Borrower's promissory notes and/or credit agreements evidencing Borrower's loan obligations in favor of Lender, together with all renewals of, extensions of, modifications of, refinancing of, consolidations of and substitutions for promissory notes or credit agreements.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages and all other instruments,

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agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED MARCH 11, 2019.**

GUARANTOR:

UQM PROPERTIES, INC.

By: /s/ DAVID I. ROSENTHAL

DAVID I. ROSENTHAL, Chief Financial Officer/  
Treasurer/ Secretary of UQM PROPERTIES, INC.

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**THE SUBSIDIARIES OF THE REGISTRANT**

<u>Name</u>	<u>Incorporation</u>
Domestic Subsidiary UQM Properties, Inc.	Colorado
Foreign Subsidiary UQM Technologies Asia Limited	Hong Kong
Foreign Subsidiary UQM Technologies (Shanghai) Limited	Shanghai, China

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements (Form S-1 No. 333-221657, and Forms S-8 Nos. 333-129251, 333-168999, 333-169000, 333-183786, 333-183788, 333-183796, 333-198227, 333-198228 and 333-164705) of our report dated March 27, 2019, relating to the consolidated financial statements of UQM Technologies, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph regarding going concern uncertainty), appearing in this Annual Report (Form 10-K) for the year ended December 31, 2018.

/s/ Moss Adams LLP

Denver, Colorado  
March 27, 2019

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Certification

I, Joseph R. Mitchell, 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: March 27, 2019

/s/ JOSEPH R. MITCHELL

Joseph R. Mitchell  
President and Chief Executive Officer

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Certification

I, David I. Rosenthal, 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: March 27, 2019

/s/ DAVID I. ROSENTHAL

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David I. Rosenthal  
Treasurer, Secretary and  
Chief Financial Officer

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**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 twelve months ended December 31, 2018 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, as amended, 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/ JOSEPH R MITCHELL

Joseph R. Mitchell  
President and Chief Executive Officer

/s/ DAVID I. ROSENTHAL

David I. Rosenthal  
Treasurer, Secretary and Chief Financial Officer

Date: March 27, 2019

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