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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 1999
or
/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the period from _____ to _____

Commission file number 0-6890

MECHANICAL TECHNOLOGY INCORPORATED
(Exact name of registrant as specified in its charter)

New York	14-1462255
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

325 Washington Avenue Extension, Albany, New York	12205
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (518)218-2500

Securities Registered Pursuant to Section 12(b) of the Act: NONE

Securities Registered Pursuant to Section 12(g) of the Act
$1.00 Par Value Common Stock
(Title of Class)

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 (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 X No
_____ _____

The aggregate market value of the registrant's Common Stock held by nonaffiliates of the registrant on December 20, 1999 (based on the last sale price of $21.50 per share for such stock reported by NASDAQ for that date) was approximately $137,542,000.

As of December 20, 1999, the registrant had 11,698,571 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Where Incorporated into Form 10-K Report
Proxy Statement for Annual Meeting of Shareholders to be held on March 16, 2000	Part III

PART I

ITEM 1: BUSINESS

MTI manufactures and sells precision diagnostic and measurement instruments and incubates alternative energy technology. Given MTI's recent success with Plug Power, Inc. and its early development efforts with Proton Exchange Membrane ("PEM") fuel cells, gas and steam powered turbines and the Sterling Engines, MTI is in a unique position to be a leader in the evolution of alternative energy technology. MTI's alternate energy strategy includes: acquisition of companies that have synergies with MTI's core competencies; acquisition of majority stock positions in established alternative energy companies; and internal

development and growth of alternative energy businesses.

Over the last several years MTI sold off non-core businesses and restructured its balance sheet. Today MTI is a very different company, substantially streamlined in focus, but with challenges remaining. MTI is a manufacturer of advanced diagnostic, test and measurement products that combine precision sensing capabilities with proprietary software and systems to serve a variety of applications for commercial and military customers. The Company has two principal business units: the Advanced Products Division ("Advanced Products"), which produces diagnostic and sensing instruments and computer-based balancing systems; and Ling Electronics, Inc. ("Ling"), a developer and manufacturer of vibration test systems and power conversion products, which was sold on October 21, 1999, as part of a strategic alliance with SatCon Technology Corporation.

In the coming year, Advanced Products will focus on improving existing products and developing additional products for diagnostic and testing equipment. The non-contact sensing instrumentation products utilize fiber optic, laser and capacitance technology to perform high precision position measurements for product design and quality control inspection requirements, primarily in the semiconductor and computer disk drive industries. Advanced Products' computer-based aircraft engine balancing systems include an on-wing jet engine balancing system used by both commercial and military aircraft fleet maintenance personnel. This product provides trim balancing and vibration analysis in the field or in test cells.

MTI is uniquely positioned to be the moving force behind the evolution of alternative energy technology. As a pioneer in the alternative energy field, MTI has demonstrated its ability, first in the research and development of gas and steam turbines; then through its development efforts in connection with the Sterling Engines; and most recently in its research and development of PEM fuel cell technology. MTI has successfully turned its PEM fuel cell research into a public company dedicated to bringing a safe, reliable and cost-effective fuel cell to market. Plug Power, Inc., which was initially a joint venture of MTI and Detroit Edison, believes that it will soon have residential fuel cells in the market place. MTI helped develop the strategic partnerships, capital investment, and growth strategy of Plug Power, Inc. It is MTI's forward strategy to use its resources and experiences to repeat this success with other alternative energy companies.

Mechanical Technology Incorporated was incorporated in New York in 1961. Unless the context otherwise requires, the "registrant", "Company", "Mechanical Technology" and "MTI" refers to Mechanical Technology Incorporated and its subsidiaries. The Company's principal executive offices are located at 325 Washington Avenue Extension, Albany, New York 12205 and its telephone number is (518) 218-2500.

Significant Developments in the Business

On June 27, 1997, the Company and Edison Development Corp. ("EDC"), a subsidiary of DTE Energy Co. formed a joint venture, Plug Power, L.L.C. ("Plug Power"), to further develop the Company's Proton Exchange Membrane ("PEM") Fuel Cell technology. In exchange for its contribution of contracts and intellectual property and certain other net assets that had comprised the fuel cell research and development business activity of the Technology segment (which assets had a net book value of $357 thousand), the Company received a 50% interest in Plug Power. EDC made an initial cash contribution of $4.75 million in exchange for the remaining 50% interest in Plug Power. The Company's investment in Plug Power is included in the balance sheet caption "Investment in Plug Power"; the assets contributed by the Company to Plug Power had previously been included in the assets of the Company's Technology segment. See the supplemental disclosure regarding Contribution of Net Assets to Plug Power in the Consolidated Statements of Cash Flows for additional information regarding the assets contributed by the Company to Plug Power.

Plug Power has focused exclusively on the research, development and manufacture of an economically viable PEM fuel cell. During 1999, the Company invested $6 million cash in Plug Power and sold the MTI campus

to Plug Power in exchange for shares of Plug Power and Plug Power's assumption of $6 million of debt.

On October 29, 1999 Plug Power Inc. made an initial public offering ("IPO") of its common stock on the NASDAQ National Market under the symbol "PLUG." The initial public offering price for the 6 million shares issued was $15 per share. Additionally, the underwriters of the IPO exercised their 900,000 share over allotment at the IPO price.

Since Plug Power was formed in 1997 the Company, EDC and other investors have contributed substantial amounts of cash and other assets to Plug Power. Contributions to Plug Power by the Company totaled $20.7 million as of September 30, 1999. Immediately prior to the Plug Power IPO, the Company purchased an additional 2,733,333 shares of Plug Power at $7.50 per share for a total purchase price of $20.5 million. Immediately after Plug Power's IPO, the Company owned 13,704,315 shares of Plug Power or approximately 31.9 percent of outstanding Plug Power stock. The Company's contribution to Plug Power increased to $41.2 million as of Plug Power's IPO date.

On October 21, 1999, the Company created a strategic alliance with SatCon Technology Corporation (SatCon), an innovator of alternative energy technologies. SatCon acquired Ling Electronics, Inc. and Ling Electronics, Ltd. from the Company and the Company committed to invest approximately $7 million in SatCon. In consideration for the acquisition of Ling Electronics and the Company's investment, the Company will receive 1,800,000 shares of SatCon's common stock and

warrants to purchase an additional 100,000 shares of SatCon's common stock. The Company funded $2.57 million of its investment in SatCon and will make the remaining investment by the end of January 2000. SatCon will also receive warrants to purchase 100,000 shares of the Company's common stock.

On July 12, 1999, the Company completed the sale of 801,223 shares of common stock to current shareholders through a rights offering. The offering raised approximately $12.8 million before offering costs of approximately $158 thousand for net proceeds of approximately $12.7 million. The Company will use some or all of the proceeds of the offering for investment into Plug Power. In addition, some proceeds may be used for acquisitions, efforts to increase market share, working capital, general corporate purposes and other capital expenditures.

On September 30, 1998, the Company completed the sale of 1,196,399 shares of common stock to current shareholders through a rights offering. The offering raised approximately $7.2 million before offering costs of approximately $186 thousand for net proceeds of approximately $7 million. The Company used substantially all of the proceeds of the offering for investment in Plug Power. The remaining proceeds were used for efforts to increase market share, working capital, general corporate purposes and other capital expenditures.

The sale of the Company's Technology Division, the sole component of the Technology segment, to NYFM, Incorporated (a wholly owned subsidiary of Foster-Miller, Inc., a Waltham, Massachusetts-based technology company) on March 31, 1998, completed management's planned sale of non-core businesses. Accordingly, the Company no longer includes Technology among its reportable business segments. The Technology Division is reported as a discontinued operation as of December 26, 1997, and the consolidated financial statements have been restated to report separately the net assets and operating results of the business. The Company's prior year financial statements have been restated to conform to this treatment. See Note 16 to the accompanying Consolidated Financial Statements.

On September 30, 1997, the Company sold all of the assets of its L.A.B. division to Noonan Machine Company of Franklin Park, IL. The Company received $2.6 million in cash and two notes, totaling $650 thousand, from Noonan Machine Company. The purchaser has requested that the principal amount of the note be reduced to reflect the resale value of certain assets of L.A.B. The Company is enforcing its rights with respect to the note. The net proceeds from the sale were used to pay down all outstanding debt and build working capital. The sale of L.A.B. resulted

in a $2.0 million gain, which was recorded in the fourth quarter of fiscal year 1997.

On December 27, 1996, the Company and First Albany Companies Inc. ("FAC") entered into a Settlement Agreement and Release whereby the Company issued FAC 1.0 million shares of Common Stock in full satisfaction of its obligations pursuant to the Claim Participation Agreement dated December 21, 1993 and amended December 14, 1994, among United Telecontrol Electronics, Inc. ("UTE"), the Company and First Commercial Credit

Corporation, in the principal amount of $3.0 million plus accrued interest of $1.2 million. As a result, the Company in the first quarter of fiscal 1997 realized a gain on the extinguishment of debt totaling $2.5 million, net of approximately $100 thousand of transaction related expenses and net of taxes of $106 thousand.

Business Segments

The Company currently conducts business in two business segments: Alternative Energy Technology and Test and Measurement.

Alternative Energy Technology

The Alternative Energy Technology segment incubates companies that research, develop, manufacture and distribute alternative energy technology solutions. Investments at September 30, 1999 consist of a 40.65 percent equity interest in Plug Power L.L.C. Plug Power is a leading designer and developer of on-site, electricity generation systems utilizing proton exchange membrane ("PEM") fuel cells for residential applications. GE Fuel Cell Systems, LLC, a joint venture that is owned by General Electric's GE Power Systems business (75%) and Plug Power (25%) will market, sell, service, and install Plug Power's products once they are developed.

On October 29, 1999 Plug Power Inc. made an initial public offering ("IPO") of its common stock on the NASDAQ National Market under the symbol "PLUG." The initial public offering price for the 6 million shares issued was $15 per share.

Immediately prior to the Plug Power IPO, the Company purchased an additional 2,733,333 shares of Plug Power at $7.50 per share for a total purchase price of $20.5 million. The Company financed the acquisition of these shares through a $22.5 million loan from KeyBank N.A. Immediately after Plug Power's IPO, the Company owned 13,704,315 shares of Plug Power or approximately 31.9 percent of outstanding Plug Power stock.

Plug Power is developing a PEM fuel cell for residential and automotive applications. As of December 1999, Plug Power has reported achieving the following milestones:

June 1998	Powered a three-bedroom home ("Demonstration Home") with a hydrogen-fueled residential fuel cell system
November 1998	Demonstrated a methanol-fueled residential fuel cell system
December 1998	Selected to design and manufacture 80 test and evaluation residential fuel cell systems for the State of New York for installation at various test sites over the next two years
December 1998	Demonstrated a natural gas-fueled residential fuel cell system
February 1999	Entered into agreement with GE On-Site Power to distribute and service Plug Power residential fuel cell systems

June 1999	Began construction of a state-of-the-art, 51,000 square foot manufacturing facility in Latham, New York
August 1999	Powered the Demonstration Home with a residential fuel cell system connected to its existing natural gas pipeline
September 1999	Filed their 50th patent application relating to fuel cell technology, system designs and manufacturing processes
December 1999	Announced successful completion of a four-month test of a natural gas powered fuel cell system in the Demonstration Home

In October, 1999, MTI sold Ling to SatCon in exchange for common stock and purchased or made commitments to purchase SatCon common stock and warrants. Assuming all funding commitments are made and warrants exercised, MTI will own approximately 16% of SatCon's issued and outstanding common stock.

SatCon manufactures and sells power and energy management products for telecommunications, silicon wafer manufacturing, factory automation, aircraft, satellites and automotive applications. SatCon has four operating divisions: Film Microelectronics, Inc. designs and manufactures microelectronic circuits and interconnect products; Magmotor manufactures motors and magnetic suspension systems; Beacon Power manufactures flywheel energy storage devices; and the Technology Center is responsible for new technology and product development.

Test and Measurement

Test and Measurement offers a wide range of technology-based equipment and systems for improved manufacturing, product testing, and inspection for industry. Business units in this segment include the Advanced Products Division, Ling Electronics, Inc. (sold on October 21, 1999) and the L.A.B. Division (sold on September 30, 1997).

Advanced Products designs, manufactures and markets high-performance test and measurement instruments and systems. These products are categorized in two general product families: non-contact sensing instrumentation and computer-based balancing systems. The Division's largest customers include industry leaders in the computer, electronic, semiconductor, automotive, aerospace, aircraft and bioengineering fields.

The non-contact sensing instrumentation products utilize fiber optic, laser and capacitance technology to perform high precision position measurements for product design and quality control inspection requirements, primarily in the semiconductor and computer disk drive industries. Product trademarks such as the Fotonic Sensor and Accumeasure are recognized worldwide.

The Division's computer-based aircraft engine balancing systems include an on-wing jet engine balancing system used by both commercial and military aircraft fleet maintenance personnel. This product provides trim balancing and vibration analysis in the field or in test cells.

Ling, of Anaheim, California, designs, manufactures, and markets electro-dynamic vibration test systems, high-intensity-sound transducers, power conversion equipment and power amplifiers used to perform reliability testing and stress screening during product development and quality control. This mode of testing is used by industry and the military to reveal design and manufacturing flaws in a broad range of precision products, from satellite parts to computer components. Recent Ling products for power and frequency conversion and "clean power" applications include systems capable of output up to 432 kVA. Ling was sold on October 21, 1999 to SatCon in exchange for 770,000 shares of SatCon common stock (with a market value of $6.738 million on the transaction date).

The L.A.B. Division, which was sold on September 30, 1997, designed, manufactured and marketed mechanically driven and hydraulically driven

test systems for package and product reliability testing. Among other uses, this equipment simulates the conditions a product will encounter during transportation and distribution including shock, compression, vibration and impact. This type of testing is widely conducted by businesses involved in product design, packaging and distribution.

The Company believes that the test and measurement industry will undergo substantial consolidation in the near future. The challenges facing MTI today are similar to those facing other smaller companies in industries where consolidation is a part of the landscape. The Company believes that consolidation may become a competitive necessity and that Advanced Products is well-positioned to combine with complementary, synergistic businesses to enhance and expand product offerings and increase profitability and market position. Accordingly, the Company is actively exploring strategic acquisitions and alliances for its businesses.

The business units in the Test and Measurement segment have numerous customers and are not dependent upon a single or a few customers.

Backlog

The backlog of orders believed to be firm as of September 30, is $2.1 million for 1999 and 1998 (of which $997 thousand and $487 thousand, respectively, relates to the Company's Advanced Products Division). The backlog relates to contracts awarded by commercial customers or government agencies.

Marketing and Sales

The Company sells its products and services through a combination of a direct sales force, manufacturer's representatives, distributors and commission salespeople. Each business unit is responsible for its own sales organization. Typically, the Company's product businesses employ regional manufacturer's representatives on an exclusive geographic basis to form a nationwide or worldwide distribution organization; the business unit is responsible for marketing and sales management and provides the representatives with sales and technical expertise on an "as-required" basis. To a great extent, the marketing and sales of the Company's larger products and systems consist of a joint effort by the business unit's senior management, its direct sales force and manufacturer's representatives to sophisticated customers. The manufacturer's representatives are compensated on a commission basis.

Research and Development

The Company conducts considerable research and development to support existing products and develop new products. (See the accompanying Consolidated Statements of Operations). The Company holds patents and rights in various fields of technology. The technology of the Company is generally an advancement of the "state of the art", and the Company expects to maintain a competitive position by continuing such advances rather than relying on patents. Licenses to other companies to use Company-developed technology have been granted and are expected to be of benefit to the Company, though royalty income received in recent years has not been material in amount and is not expected to be material in the foreseeable future.

Competition

The Company and each of its business units are subject to intense competition. The Company faces competition from at least several companies, many of which are larger than MTI and have greater financial resources. While the business units in the Company's Test and Measurement segment each have a major share of their respective markets, the Company does not consider any of them to be dominant within its industry.

The primary competitive considerations in the test and measurement segment are product quality and performance, price and timely delivery. The Company believes that its product development skills and reputation are competitive advantages.

Employees

The total number of employees of the Company and its subsidiaries was 104 as of September 30, 1999, compared to 123 as of the beginning of the fiscal year.

Executive Officers

The executive officers of the registrant (all of whom serve at the pleasure of the Board of Directors), their ages, and the position or office held by each, are as follows:

Position or Office	Name	Age
Chief Executive Officer, and a Director	George C. McNamee	53
Vice President and Chief Financial Officer	Cynthia A. Scheuer	38
Vice President and General Manager, Advanced Products	Denis P. Chaves	59
President and Chief Executive Officer Ling Electronics, Inc.	James R. Clemens	50

Mr. McNamee has been Chief Executive Officer of the Company since April 1998 and a director since 1996.

Ms. Scheuer was appointed Vice President and Chief Financial Officer of the Company in November 1997. Prior to joining the Company, she was a senior business assurance manager at Coopers & Lybrand L.L.P. where she was employed since 1983.

Mr. Chaves has been Vice President and General Manager of the Company's Advanced Products Division since 1987 and was Vice President and General Manager of the Company's L.A.B. Division from January 1994 until it was sold in September, 1997. Previously, he served as Manager of Corporate Marketing for the Company from 1981 to 1987.

Mr. Clemens has been President and Chief Executive Officer of Ling Electronics, Inc., a wholly owned subsidiary of the Company, since April 1998. Mr. Clemens was previously Vice President and General Manager of Ling from April 1997 to April 1998. Mr. Clemens resigned as an officer of the Company on October 21, 1999, to join SatCon Technology Corporation. From December 1994 to March 1997, he was a site manager for Teleflex Control. From September 1992 to November 1994, he was President and Chief Operating Officer of MTI's former subsidiary United Telecontrol Electronics, Inc.

ITEM 2: PROPERTIES

The Company leases property in New York and, prior to the sale of Ling, leased space in California. In management's opinion, the facilities are generally well-maintained and adequate to meet the Company's current and future needs.

The Company's corporate headquarters were located in a building in Latham, New York which was sold to Plug Power during 1999 and a portion of which was leased back to the Company until November 1999. The building contained a total of approximately 31,000 square feet. In November 1999, the Company

completed its relocation to Albany, New York, where it leases a facility for Advanced Products and corporate headquarters. The facility has approximately 20,700 square feet of office and manufacturing space. The lease expires on November 30, 2009.

Ling Electronics, Inc. (Ling) leases approximately 85,000 square feet of office and manufacturing space in Anaheim, California. The lease will expire in June of 2003. Ling was sold, and the lease assigned, to SatCon Technology Corporation on October 21, 1999.

ITEM 3: LEGAL PROCEEDINGS

At any point in time, the Company and its subsidiaries may be involved in various lawsuits or other legal proceedings; these could arise from the sale of products or services or from other matters relating to its regular business activities, may relate to compliance with various governmental regulations and requirements, or may be based on other transactions or circumstances. The Company does not believe there are any such proceedings presently pending that could have a material adverse effect on the Company's financial condition except for the matters described in Note 14 to the accompanying Consolidated Financial Statements (which description is incorporated herein by reference).

On September 9, 1998, Barbara Lawrence, the Lawrence Group, Inc. ("Lawrence"), and certain other Lawrence-related entities ("Plaintiffs") filed suit in the United States Bankruptcy Court for the Northern District of New York against First Albany Corporation ("FAC"), Dale Church, Edward Dohring, Alan Goldberg, George McNamee, Beno Sternlicht, Marty Mastroianni (former President and Chief Operating Officer of MTI) and 33 other individuals ("Defendants") who purchased a total of 820,909 shares of MTI stock from the Plaintiffs. The complaint alleged that Defendants purchased MTI stock from the Plaintiffs in violation of sections 10b, 20, 20A and rule 10b-5 of the Securities Exchange Act of 1934. In December 1998, the complaint was amended to add MTI as a defendant and assert a claim for common law fraud against all the Defendants including MTI. The case concerns the Defendants' 1998 purchase of MTI shares from the Plaintiffs at the price of $2.25 per share. Ownership of the shares was disputed and several of the Plaintiffs were in bankruptcy at the time of the sale. FAC acted as Placement Agent for the Defendants in the negotiation and sale of the shares and in proceedings before the Bankruptcy Court for the Northern District of New York, which approved the sale in September 1997. Plaintiffs claim that the Defendants failed to disclose material inside information concerning Plug Power, LLC to the Plaintiffs and therefore the $2.25 per share purchase price was unfair. Plaintiffs are seeking damages of $5 million plus punitive damages and costs. In April 1999, Defendants filed a motion to dismiss the amended compliant, which was denied. In June 1999, the parties agreed to stay discovery and amend Defendants time to answer the amended complaint until September 17, 1999. In October 1999, Defendants answered the amended Complaint.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the registrant's security holders during the fourth quarter of fiscal 1999.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

On April 16, 1999, the stock began trading on the NASDAQ National Market System under the same symbol, MKTY. From August 1994 through April 15, 1999, the Company's Common Stock traded on the over-the-counter market under the symbol MKTY on the OTC Bulletin Board. Set forth below are the highest and lowest prices at which shares of the Company's Common Stock have been traded during each of the Company's last two fiscal years.

			Prices as Adjusted to Effect for April 30,1999 Three for Two Stock Split
	Prices as Reported		
High	Low	High	Low
Fiscal Year 1999			

First Quarter	8-5/8	6-3/4	5-3/4	4-1/2
Second Quarter	21	8	14	5-1/3
Third Quarter	30	11-11/12	30	7-15/16
Fourth Quarter	35-9/16	23-6/16	35-9/16	23-6/16

Fiscal Year 1998				
First Quarter	6-3/4	3-3/4	4-1/2	2-1/2
Second Quarter	8-1/8	3-1/2	5-5/12	2-1/3
Third Quarter	8-1/8	5-11/16	5-5/12	3-3/4
Fourth Quarter	9-3/8	6	6-1/4	4

Number of Equity Security Holders

As of December 20, 1999, the Company had approximately 479 holders of its $1.00 par value Common Stock. In addition, there are approximately 4,154 beneficial owners holding stock in "street" name.

Dividends

The payment of dividends is within the discretion of the Company's Board of Directors and will depend, among other factors, on earnings, capital requirements, and the operating and financial condition of the Company. The Company has never paid and does not anticipate paying dividends in the foreseeable future.

ITEM 6: SELECTED FINANCIAL DATA

The following table sets forth summary financial information regarding Mechanical Technology Incorporated for the years ended September 30, as indicated:

Statement of Earnings Data	(In thousands, except per share data)				
	1999	1998	Restated 1997	Restated 1996	Restated 1995
Net Sales	$ 12,885	$ 21,028	$ 24,102	$ 22,755	$ 18,140
Gain on Sale of Subsidiary/Division or Building	-	-	2,012	750	6,779
(Loss) Income from Continuing Operations before Extraordinary Item and Income Taxes	(10,692)	(2,006)	2,701	673	3,352
(Loss) Income from Continuing Operations before Extraordinary Item	(10,729)	(2,031)	2,558	598	3,256
Extraordinary Item - Gain on Extinguish-ment of Debt, Net of Taxes ($106)	-	-	2,507	-	-
(Loss) Income from Continuing Operations	(10,729)	(2,031)	5,065	598	3,256
Income (Loss) from Discontinued Operations, Net of Taxes	41	(2,285)2	(545)	3,150	(334)
Net(Loss)Income	$ (10,688)	$ (4,316)	$ 4,520	$ 3,748	$ 2,922
Diluted Earnings Per Share1,3					
(Loss) Income from Continuing Operations before Extraordinary Item	$ (0.94)	$ (0.21)	$ 0.28	$ 0.09	$ 0.57
Extraordinary Item	-	-	0.27	-	-
(Loss)Income from Discontinued Operations	-	(0.24)	(0.06)	0.50	(0.06)
Net (Loss)Income	$ (0.94)	$ (0.45)	$ 0.49	$ 0.59	$ 0.51
Weighted Average Shares Outstanding and Equivalents1	11,330,530	9,576,672	9,149,176	6,310,094	5,742,045

Balance Sheet Data:					
Working Capital	$ 18,662	$ 5,779	$ 7,696	$ 7,086	$ 2,712
Total Assets	31,780	21,128	14,003	13,481	13,444
Total Long- Term Debt	-	-	-	5,508	6,960
Total Shareholders' Equity (Deficit)	27,786	11,124	8,213	2,164	(3,490)

1 Earnings per share information has been retroactively adjusted to reflect the April 30, 1999 3 for 2 stock split.
2 Includes a net charge of $1,769 related to the discontinuance of the Company's Technology Division and a $516 loss from operations prior to discontinuance.
3 Earnings per share have been restated to comply with SFAS No. 128, "Earnings Per Share."

Prior years have been restated to reflect the Technology and Defense/Aerospace segments as discontinued operations. (See Note 16 to the accompanying Consolidated Financial Statements).

There were no cash dividends on common stock declared for any of the periods presented.

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

Results of Operations: 1999 in Comparison with 1998

The following three paragraphs summarize significant organizational changes, which impact the comparison of 1999 and 1998 results of operations.

On June 27, 1997, the Company and Edison Development Corp. ("EDC"), a subsidiary of DTE Energy Co. formed a joint venture, Plug Power L.L.C. ("Plug Power") to further develop the Company's Proton Exchange Membrane ("PEM") Fuel Cell technology. In exchange for its contribution of employees, contracts, intellectual property and certain other assets that had comprised the fuel cell research and development business activity of the Technology segment (which assets had a net book value of $357 thousand), the Company received a 50% interest in Plug Power. EDC made an initial cash contribution of $4.75 million in exchange for the remaining 50% interest in Plug Power. The Company's investment in Plug Power is included in the balance sheet caption "Investment in Plug Power"; the assets contributed by the Company to Plug Power had previously been included in the assets of the Company's Technology segment. See the supplemental disclosure regarding Contribution of Net Assets to Plug Power in the Consolidated Statements of Cash Flows for additional information regarding the assets contributed by the Company to Plug Power.

Since Plug Power was formed in 1997 the Company, EDC and other investors have contributed substantial amounts of cash and other assets to Plug Power. Contributions to Plug Power by the Company totaled $20.7 million as of September 30, 1999 and increased to $41.2 million as of Plug Power's IPO date. After Plug Power' s IPO, the Company owned 13,704,315 shares or 31.9% of outstanding Plug Power stock.

The sale of the Company's Technology Division, the sole component of the Technology segment, to NYFM, Incorporated (a wholly owned subsidiary of Foster-Miller, Inc., a Waltham, Massachusetts-based technology company) on March 31, 1998 completed management's planned sale of non-core businesses. Accordingly, the Company no longer includes Technology among its reportable business segments. The Technology Division is reported as a discontinued operation as of December 26, 1997, and the consolidated financial statements have been restated to report separately the net assets and operating results of the business.

The following is management's discussion and analysis of certain significant factors, which have affected the Company's results of operations for 1999 compared to 1998. This discussion relates only to the Company's continuing operations before the sale of Ling, which occurred in

October 1999.

Sales for fiscal 1999 totaled $12.9 million compared to $21.0 million for the prior year, a decrease of $8.1 million or 38.7%. This decrease is the result of continuing weak market conditions. Advanced Products and Ling reported sales decreases of 48.7% and 31.6%, respectively in the year ended September 30, 1999.

Selling, general and administrative expenses for fiscal 1999 were 38.4% of sales, as compared to 27.6% in 1998. Higher levels of general/administrative expenses as a percentage of sales for fiscal 1999 resulted primarily from the 38.7% decrease in sales. Actual selling, general and administrative expenses decreased $.863 million from 1998 to 1999.

Product development and research costs during fiscal 1999 were 8.6% of sales, compared to 4% for 1998. Development costs increased $.274 million from 1998 to 1999 reflecting the Advanced Products Division's commitment to developing diagnostic and other new products.

The operating loss of $1.4 million for the year ended September 30, 1999 represents a $3.4 million or 170.4% decrease from the $2 million operating income reported during the same period last year. The decrease is the result of decreased sales levels and corresponding decreases in gross profits due to fixed cost absorption at lower sales levels. Gross profit decreased to 36% of sales in fiscal 1999 from 41% of sales in fiscal 1998.

In addition to the matters noted above, the Company recorded a $9.4 million loss from the recognition of the Company's proportionate share of losses of Plug Power compared to a $3.8 million loss in 1998.

Results during fiscal 1999 were adversely effected by the sales decrease. Further, as a result of ownership changes in 1996, the availability of net operating loss carryforwards to offset future taxable income will be significantly limited pursuant to the Internal Revenue Code.

Results of Operations: 1998 in Comparison with 1997

The following two paragraphs summarize significant organizational changes, which impact the comparison of 1998 and 1997 results of operations.

Net assets of the discontinued technology operation were $8 thousand and $3,186 thousand at September 30, 1998 and 1997, respectively, and the loss on discontinued operations included a loss from operations of $516 thousand and a loss on disposal of $1,769 thousand at September 30, 1998. The loss on disposal includes a provision for estimated operating results prior to disposal. The Company's prior year financial statements have been restated to conform to this treatment.

On September 30, 1997, the Company sold all of the assets of its L.A.B. Division to Noonan Machine Company of Franklin Park, IL. The Company received $2.6 million in cash and two notes, totaling $650 thousand, from Noonan Machine Company. The purchaser has requested that the principal amount of the note be reduced to reflect the resale value of certain assets of L.A.B. The Company is enforcing its rights with respect to the

note. The net proceeds from the sale were used to pay down outstanding debt and build working capital. The sale of L.A.B. resulted in a $2.0 million gain, which was recorded in the fourth quarter of fiscal year 1997. In addition, $250 thousand of the proceeds associated with one of the notes was recorded as deferred revenue due to the possible reduction of the $250 thousand note receivable, in the event of a sale of certain fixed assets, in accordance with the terms of the note.

The following is management's discussion and analysis of certain significant factors, which have affected the Company's results of operations for 1998 compared to 1997. This discussion relates only to the Company's continuing operations.

Sales for fiscal 1998 totaled $21.0 million compared to $24.1 million for the prior year, a decrease of $3.1 million or 12.8%. This decrease is attributable to the reduction of sales resulting from the sale of the L.A.B. Division on September 30, 1997, which reported sales of $3.3 million and operating income of $500 thousand at September 30, 1997.

Advanced Products reported a sales increase of 26.2% and Ling reported a sales decrease of 11.3% in the year ended September 30, 1998.

Selling, general and administrative expenses for fiscal 1998 were 27.6% of sales, as compared to 29.1% in 1997. Product development and research costs during fiscal 1998 were 4% of sales, compared to 4.2% for 1997. Lower levels of selling, general and administrative expenses for fiscal 1998 resulted primarily from cost reduction efforts during fiscal 1998 as well as the elimination of costs for L.A.B. of $600 thousand.

Operating income of $2 million at September 30, 1998 represented a $400 thousand or 25.5% increase from the $1.6 million operating income recorded during the same period last year. The increase is the result of increased sales levels for Advanced Products and improved margins as a result of cost control measures. Excluding the L.A.B. division results in 1997, operating income increased $900 thousand.

In addition to the matters noted above, during the fourth quarter of fiscal 1998, the Company recorded a $3.8 million loss from the recognition of the Company's proportionate share of losses in Plug Power compared to a $330 thousand loss in 1997. During the fourth quarter of fiscal 1997, the Company recorded a $2.0 million gain on the sale of the L.A.B. Division. Further, the Company recorded a $2.5 million extraordinary gain, net of taxes, on the extinguishment of debt during the first quarter of fiscal 1997.

Results during fiscal 1998 were enhanced by lower interest expense, principally resulting from reduced indebtedness. Moreover, the Company benefited from reduced income tax expense due to the loss generated by discontinued operations and the use of net operating loss carryforwards. However, as a result of recent ownership changes, the availability of further net operating loss carryforwards to offset future taxable income will be significantly limited pursuant to the Internal Revenue Code.

Liquidity and Capital Resources

At September 30, 1999, the Company's order backlog was $2.1 million, representing no change from the prior year-end.

Inventories in 1999 remained stable at $3.75 million to support expected sales increases during the first quarter of 2000. Additionally, accounts receivable decreased by $1.1 million in 1999 due to the reduced sales during fiscal 1999.

Cash flow used by continuing operations was $2.3 million in 1999 compared with $.5 million provided in 1998 and $1.1 million provided in 1997. Cash flow from operating activities was impacted in 1999 by operating losses and 1998 and 1997 were impacted by positive operating income and fluctuations in working capital components.

Working capital was $18.7 million at September 30, 1999, a $12.9 million increase from $5.8 million at fiscal year-end 1998. Capital increased $12.7 million in 1999 which reflects the proceeds received from the sale of common shares to existing shareholders through a rights offering.

Capital expenditures were $2.7 million for 1999, $3.2 million for 1998 and $.4 million for 1997. The capital expenditures in 1999 were in accordance with the higher level of planned expenditures including the construction of a new facility for Advanced Products and corporate headquarters and renovations to an existing building, which were subsequently sold to Plug Power in July 1999. Capital expenditures in 2000 are expected to approximate $.4 million, which consists of expenditures for facility fit-up and computer and manufacturing equipment. The Company expects to finance these expenditures with cash from operations and existing credit facilities.

Cash and cash equivalents were $5.9 million at September 30, 1999 compared to $5.6 million at September 30, 1998. Investments in marketable securities were $7.9 million at September 30, 1999. These increases are primarily attributable to $12.7 million of net cash proceeds from the sale of common shares to existing shareholders through a rights offering, which closed on July 12, 1999 net of payments associated with the Company's construction project. During 1999, the Company also funded $4 million of previously accrued capital contributions to Plug Power.

At September 30, 1999 and 1998, there were no borrowings outstanding on the lines of credit. The Company has a working capital line of credit available in the amount of $4 million and a $1 million equipment line of credit. These lines of credit expire on January 31, 2000. The Company is currently negotiating an extension of these lines of credit.

The reduction in net assets of discontinued operations to a net liability of $.5 million reflects the collection of receivables and settlement of liabilities. The sale of the Technology Division was completed as of March 31, 1998.

KeyBank issued a letter of credit for approximately $6 million in connection with the issuance of $6 million of Industrial Development Revenue Bonds ("IDR Bonds"). The KeyBank credit agreements required the Company to meet certain covenants, including a fixed charge coverage and leverage ratio. Further, if certain performance standards were achieved,

the interest rates on the debt may be reduced. The IDR Bond Obligation, letter of credit and unexpended bond proceeds were transferred to Plug Power in connection with the sale of the MTI facility and adjacent residence effective July 1, 1999.

The Industrial Development Agency for the Town of Colonie issued $6 million in IDR Bonds on behalf of the Company to assist in the construction of a new building for Advanced Products and the Company's corporate staff and renovation of existing buildings leased to Plug Power. The bond closing was completed December 17, 1998 and proceeds of the IDR Bonds were deposited with a trustee for the bondholders. The Company has drawn bond proceeds to cover qualified project costs.

On November 1, 1999, the Company entered into a $22.5 million Credit Agreement with KeyBank, N.A. ("the $22.5 million Credit Agreement"). The proceeds of this loan were used to fund the Company's remaining $20.5 million balance of its Mandatory Capital Commitment to contribute $22.5 million to Plug Power. Pursuant to the Mandatory Capital Commitment, the Company purchased 266,667 shares of Plug Power for $2 million on September 30, 1999 and 2,733,333 shares of Plug Power for $20.5 million in November 1999. The Company may sell shares of Plug Power Common Stock to pay monthly interest and or quarterly principal payments (beginning May 2001) on the Loan. Plug Power's stock is currently traded on the NASDAQ, therefore the stock is subject to stock market conditions. Due to the Company's significant ownership position, sales of Plug Power stock will be subject to SEC Rule 144 limitations including a limit of one (1) percent of total outstanding shares per quarter.

The $22.5 million Credit Agreement requires the Company to meet certain covenants, including maintenance of a collateral account which at all times has a minimum market value of $600 thousand and a balance on November 1, 1999 of $2.65 million, and maintenance of a collateral coverage ratio. The existing covenants under the original letter of credit were eliminated pursuant to the $22.5 million Credit Agreement. The $22.5 million Credit Agreement is collateralized by 100% of the Company's equity interest in Plug Power.

On October 21, 1999, the Company created a strategic alliance with SatCon Technology Corporation (SatCon). SatCon acquired Ling Electronics, Inc. and Ling Electronics, Ltd. from the Company and the Company committed to invest approximately $7 million in SatCon. In consideration for the acquisition of Ling Electronics and the Company's investment, the Company will receive 1,800,000 shares of SatCon's common stock and warrants to purchase an additional 100,000 shares of SatCon's common stock. The Company funded $2.57 million of its investment in SatCon and will make the remaining investment by the end of January 2000. SatCon will also receive warrants to purchase 100,000 shares of the Company's common stock.

The Company anticipates that it will be able to meet the liquidity needs of its continuing operations and its investment commitment to SatCon from current cash resources, cash flow generated by operations and borrowing under its existing lines of credit.

Market Risk

Market risk represents the risk of changes in value of a financial instrument, caused by fluctuations in interest rates and equity prices.

Because the Company's cash and investment position exceeds both short and long term obligations, the Company's exposure to interest rate risk relates primarily to its investment in marketable debt securities. The investments are at variable rates, which generally reflect market conditions. The Company manages its investments to increase return on investment and only invests in instruments with high credit quality.

The Company has performed a sensitivity analysis on its marketable debt securities and its investment in Plug Power common stock. The sensitivity analysis presents the hypothetical change in fair value of those financial instruments held by the Company at September 30, 1999 which are sensitive to changes in interest rates. Market risk is estimated as the potential change in fair value resulting from an immediate hypothetical one-percentage point parallel shift in the yield curve. The fair values of the Company's investments in marketable securities have been based on quoted market prices. As the carrying amounts on short-term investments maturing in less than 180 days approximate the fair value, these are not included in the sensitivity analysis. The fair value of marketable securities over 180 days is $3.0 million. A one-percentage point change in the interest rates would change the fair value of investments over 180 days by $85 thousand.

The Company also has an investment in Plug Power, which is accounted for on the equity method. The fair market value of the investment is $164.6 million based on the October 28, 1999 $15 per share initial public offering price. If the market price on the Plug Power stock would decrease by ten percent the fair value of the stock would decrease by $16.5 million.

Year 2000

The Company's Year 2000 plan is complete. The plan addresses the issue of computer programs and embedded computer chips being unable to distinguish between the year 1900 and the year 2000 as well as the ability to recognize the leap year date of February 29, 2000. The plan has been divided into six areas: (1)Systems evaluation, (2) Software evaluation, (3) Third-party suppliers, (4) Facility systems, (5) Products and (6)Contingency plans. The general phases common to all segments are: (1) Inventorying Year 2000 items, (2) Assigning priorities to identified items, (3) Assessing the Year 2000 compliance of items determined to be material to the Company, (4) Repairing or replacing material items that are determined not to be Year 2000 compliant, (5) Testing material items and (6) Designing and implementing contingency and business continuation plans for each organization and company location.

Systems Evaluation

All internal systems have been identified, inventoried, prioritized and assessed for Year 2000 compliance. Systems found to be non-compliant

were replaced and compliant systems were assessed to determine what if any maintenance is required to keep them compliant. Plans have been developed to ensure that staff is available to oversee restarting certain machines and manually adjusting their dates.

Software Evaluation

All software material to the Company has been identified, evaluated, and is now in compliance and certified as such by vendors or new software has been purchased.

Third-Party Suppliers

Third-party suppliers have been identified and reviewed to determine whether their products and supplies are Year 2000 compliant. Any provider identified as non-compliant has been or will be replaced with an alternative provider if they cannot serve our needs.

Facility Systems

All facility systems are believed to be Year 2000 compliant including telephone, fire alarm, security and network components.

Products

The Company has evaluated both current product offerings and products in the field to determine their ability to comply with Year 2000 issues. The products were found to fall into three categories, non-compliant, compliant if modifications are made and fully compliant or not impacted (that is, the product does not have a computer or contains an embedded computer but does not use a date function). All products currently sold by the Company are fully Year 2000 compliant. The Company has produced and made available for sale, upgrades to products requiring modifications to be Year 2000 compliant. Those products identified as non-compliant are products that have been in the field for a number of years and must be replaced by the customer.

Contingency Plans

In the event the Company's Year 2000 plan is ineffective or unanticipated problems arise, the Company has developed contingency plans which are now in place. The plans include use of hard copy data and alternate suppliers.

Costs

The total cost associated with required modifications to become Year 2000 compliant is not expected to be material to the Company's financial position. The estimated total cost of the Year 2000 project was approximately $120 thousand, which included software, hardware and cabling upgrade and replacement costs. This estimate does not include the Company's potential share of Year 2000 costs that may be incurred by joint ventures, in which the company participates but is not the operator. The total amount expended on the Plan through September 30, 1999 was $124 thousand for the upgrade and replacement of hardware.

Risks

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition. The Year 2000 Plan is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material customers. The Company believes that, with its Year 2000 Plan, the possibility of significant interruptions of normal operations should be reduced.

Forward Looking Statements

Statements in this Form 10-K or in documents incorporated herein by reference that are not historical facts or information constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, the information set forth herein. Such forward looking statements involve known and unknown risks, uncertainties or other factors which may cause the actual results, levels of activity, performance or achievement of Company or industry results to be materially different from any future results, levels of activity, performance or achievement expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; the ability of the Company to implement its business strategy; the Company's access to financing; the Company's ability to successfully identify new business opportunities; the Company's ability to attract and retain

employees; changes in the industry; competition; the effect of regulatory and legal proceedings and other factors discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations". As a result of the foregoing and other factors, no assurance can be given as to the future results and achievements of the Company. Neither the Company nor any other person assumes responsibility for the accuracy and completeness of these statements.

ITEM 8: FINANCIAL STATEMENTS

The financial statements filed herewith are set forth on the Index to Consolidated Financial Statements on Page F-1 of the separate financial section which follows page 29 of this report and are incorporated herein by reference.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the caption "Executive Officers" in Item 1 of this Form 10-K Report, and the information which will be set forth in the section entitled "Election of Directors", and under the captions "Security Ownership of Certain Beneficial Owners" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the section entitled "Additional Information", in the definitive Proxy Statement to be filed by the registrant, pursuant to Regulation 14A, for its Annual Meeting of Shareholders to be held on March 16, 2000 (the "2000 Proxy Statement"), is incorporated herein by reference.

ITEM 11: EXECUTIVE COMPENSATION

The information which will be set forth under the captions "Executive Compensation", "Compensation Committee Report", "Compensation Committee Interlocks and Insider Participation", "Employment Agreements", and "Directors Compensation", in the section entitled "Additional Information" in the registrant's 2000 Proxy Statement, is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information which will be set forth under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the section entitled "Additional Information" in the registrant's 2000 Proxy Statement, is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information which will be set forth under the caption "Certain Information Regarding Nominees" in the section entitled "Election of Directors", and under the captions "Directors Compensation", "Security Ownership of Certain Beneficial Owners", and "Certain Relationships and Related Transactions", in the section entitled "Additional Information", in the registrant's 2000 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) (1) The financial statements filed herewith are set forth on the

Index to Consolidated Financial Statements on page F-1 of the separate financial section which accompanies this Report, which is incorporated herein by reference.

The following exhibits are filed as part of this Report:

Exhibit Number	Description
3.1	Certificate of Incorporation of the registrant, as amended and restated. (6)
3.2	By-Laws of the registrant, as restated. (6)
4.93	Credit Agreement dated as of September 22, 1998 among Mechanical Technology Incorporated and KeyBank National Association ("KeyBank"). (8)
4.94	Security Agreement, dated as of September 22, 1998, executed by the registrant in favor of KeyBank and securing the registrant's obligations to KeyBank. (8)
4.95	Security Agreement, dated as of September 22, 1998, executed by Ling Electronics, Inc. (a wholly owned subsidiary of the registrant) in favor of KeyBank and securing the registrant's obligations to KeyBank. (8)
4.96	Guaranty of Payment and Performance, dated as of September 22, 1998, executed by Ling Electronics, Inc. (a wholly-owned subsidiary of the registrant) in favor of KeyBank and guaranteeing payment of the registrant's obligations to KeyBank. (8)
4.103	Assignment and Assumption Agreement, dated as of July 1, 1999, by and among Town of Colonie Industrial Development Agency, the registrant, Plug Power, LLC, KeyBank National Association and First Albany Corporation in connection with the sale of the MTI facility to Plug Power and the assignment and assumption of rights and obligations in connection with the Industrial Development Revenue Bonds (Letter of Credit Secured) Series 1998 A in the original aggregate amount of $6,000,000. (10)
4.104	Credit Agreement, dated as of November 1, 1999, between the registrant and KeyBank National Association for a $22.5 million term loan to finance a capital contribution to Plug Power, LLC. (11)
4.105	Stock Pledge Agreement, dated as of November 1, 1999, by the registrant with KeyBank National Association pledging 13,704,315 shares of Plug Power stock in support of the $22.5 million credit agreement. (11)
10.1	Mechanical Technology Incorporated Restricted Stock Incentive Plan. Filed as Exhibit 28.1 to the registrant's Form S-8 Registration Statement No. 33-26326 and incorporated herein by reference. (1)
10.14	Mechanical Technology Incorporated Stock Incentive Plan - included as Appendix A to the registrant's Proxy Statement, filed pursuant to Regulation 14A, for its December 20, 1996 Special Meeting of Shareholders and

incorporated herein by reference. (2)

10.17 Agreement, dated March 14, 1998, between the Registrant and Mr. James Clemens, Vice President and General Manager of Ling Electronic, Inc., regarding his employment. (3)

10.18 Limited Liability Company Agreement of Plug Power, L.L.C., dated June 27, 1998, between Edison Development Corporation and Mechanical Technology, Incorporated. (4)(5)

10.19 Contribution Agreement, dated June 27, 1998, between Mechanical Technology, Incorporated and Plug Power, L.L.C. (4)(5)

10.20 Asset Purchase Agreement, dated as of September 22, 1998, between Mechanical Technology, Incorporated and Noonan Machine Company. (4)

10.21 Asset Purchase Agreement between MTI and NYFM, Incorporated, dated as of March 31, 1998. (7)

10.24 Contribution Agreement between Edison Development Corporation and MTI, dated as of June 10, 1998. (7)

10.30 Mechanical Technology Incorporated 1999 Employee Stock Incentive Plan. (9)

10.31 Agreement of Sale, dated June 23, 1999, by and between the registrant and Plug Power, LLC for the sale of the MTI campus and adjacent residence. (10)

10.32 Stock Purchase Agreement, dated October 21, 1999, between the registrant, Ling Electronics, Inc., Ling Electronics, Ltd. and SatCon Technology Corporation.

10.33 Securities Purchase Agreement, dated October 21, 1999, between the registrant and SatCon Technology Corporation.

10.34 Mechanical Technology Incorporated Registration Rights Agreement, dated October 21, 1999, between the registrant and SatCon Technology Corporation.

10.35 SatCon Technology Corporation Registration Rights Agreement, dated October 21, 1999, between SatCon Technology Corporation and the registrant.

10.36 Mechanical Technology Incorporated Stock Purchase Warrant dated October 21, 1999.

10.37 SatCon Technology Corporation Stock Purchase Warrant dated October 21, 1999.

10.38 Lease dated August 10, 1999 between Carl E. Touhey and Mechanical Technology, Inc.

10.39 Registration Rights Agreement, dated November 1, 1999 by and among Plug Power Inc. and the registrant.

10.40 Plug Power Inc. Lock-Up Agreement, dated November 1, 1999.

21 Subsidiaries of the registrant.

27 Financial Data Schedule

_____

Certain exhibits were previously filed (as indicated below) and are incorporated herein by reference. All other exhibits for which no other filing information is given are filed herewith:

(1) Filed as Exhibit 28.1 to the registrant's Form S-8 Registration Statement No. 33-26326, filed December 29, 1988, and incorporated herein by reference.

(2) Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-K Report for its fiscal year ended September 30, 1996.

(3) Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 8-K Report dated May 12, 1997.

(4) Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-K Report for the fiscal year ended September 30,1997.

(5) Refiled herewith after confidential treatment request with respect to certain schedules and exhibits were denied by the Commission. Confidential treatment with respect to certain schedules and exhibits was granted.

(6) Filed as an Exhibit to the Proxy Statement, Schedule 14A, dated March 9, 1998.

(7) Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form S-2 dated August 18, 1998.

(8) Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-K Report for the fiscal year ended September 30, 1998.

(9) Filed as an Exhibit to the registrant's Proxy Statement, Schedule 14A, dated February 12, 1999.

(10) Filed as an Exhibit (bearing the same exhibit number) to the registrant's Form 10-Q Report for its fiscal quarter ended June 25, 1999.

(11) Filed as an Exhibit to the registrant's 13D Report dated November 4, 1999.

(a) (2) Schedule. The following consolidated financial statement schedule for each of the three years in the period ended September 30, 1999 is included pursuant to Item 14(d):

Report of Independent Accountants on Financial Statements Schedule

Schedule II--Valuation and Qualifying Accounts

(b) Two reports on Form 8-K were filed during the quarter ended September 30, 1999 and three reports were filed subsequent to the quarter ended September 30, 1999.

The Company filed a Form 8-K Report, dated July 2, 1999, reporting under item 5 thereof its intention to release 125,000 shares for the Rights Offering over-subscription and pre-releasing preliminary third quarter 1999 results.

The Company filed a Form 8-K Report, dated August 30, 1999, reporting under item 5 thereof that the Company's fuel cell affiliate, Plug Power, filed a registration statement with the Securities and Exchange Commission, in connection with the initial public offering of its common stock. If the public offering price is greater than $7.50 per share, the Company has agreed to purchase 3 million shares of Plug Power stock at the fixed price of $7.50 per share, pursuant to the Mandatory Capital Contribution Agreement dated as of January 26, 1999.

The Company filed a Form 8-K Report, dated October 4, 1999, reporting under item 5 thereof that Plug Power filed an amendment to its registration statement with the Securities and Exchange Commission stating that shares of Plug Power would be offered at an estimated price range of $13 to $15 per share. On September 30, 1999, the Company purchased 266,667 shares of Plug Power at $7.50 per share thereby reducing the Company's commitment to purchase shares at the public offering from 3 million to 2,733,333 shares.

The Company filed a Form 8-K Report, dated October 22, 1999, reporting under item 5 thereof the creation of a strategic alliance with SatCon Technology Corporation. SatCon acquired Ling Electronics, Inc. and Ling Electronics, Ltd. from the Company and the Company will invest approximately $7,000,000 in SatCon. In consideration for the acquisition of Ling Electronics and the Company's investment, the Company will receive 1,800,000 shares of SatCon's common stock and warrants to purchase an additional 100,000 shares of SatCon's common stock. The Company immediately funded $2,570,000 of its investment in SatCon and will make the remaining investment by the end of January 2000. SatCon will also receive warrants to purchase 100,000 shares of the Company's common stock.

The Company filed a Form 8-K Report, dated November 16, 1999, reporting under item 5 thereof that on November 8, 1999 Plug Power received correspondence from counsel to DCT, Inc., alleging , among other things, that the Company misappropriated from DCT, Inc. business and technical trade secrets, ideas, know-how and strategies relating to fuel cell systems, and that certain contractual obligations owed to DCT, Inc. were breached.

(d) Separate financial statements for Plug Power, Inc., a less than fifty percent owned entity, will be filed as an amendment to this Form 10-K as soon as they become available. Plug Power's fiscal year ends December 31, 1999 and their financial statements should be available by March 30, 1999, the SEC filing deadline for their Report on Form 10-K.

SIGNATURES

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

MECHANICAL TECHNOLOGY INCORPORATED

Date: December 28,1999 By: /s/ G.C. McNamee
George C. McNamee
Chief Executive Officer

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

SIGNATURE	TITLE	DATE
/s/ George C. McNamee George C. McNamee	Chief Executive Officer and Chairman of the Board of Directors	December 28, 1999
/s/ Cynthia A. Scheuer Cynthia A. Scheuer	Chief Financial Officer (Principal Financial and Accounting Officer)	"
/s/ Dale W. Church Dale W. Church	Director	"
/s/ Edward A. Dohring Edward A. Dohring	Director	"
/s/ Alan P. Goldberg Alan P. Goldberg	Director	"
/s/ E. Dennis O'Connor	Director	"

E. Dennis O'Connor

/s/ Walter L. Robb Director "
Dr. Walter L. Robb

/s/ Beno Sternlicht Director "
Dr. Beno Sternlicht

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors and Shareholders
of Mechanical Technology Incorporated

Our audits of the consolidated financial statements referred to in our report dated November 12, 1999 appearing on page F-2 of this Form 10-K of Mechanical Technology Incorporated also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers L.L.P.

Albany, New York
November 12, 1999

SCHEDULE II

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN THOUSANDS)

Description	Balance at beginning of period	Additions Charged to costs and expenses	Additions Charged to other accounts	Deductions	Balance at end of period
Allowance for doubtful accounts					

Year ended September 30:					
1999	$ 99	$ 76	$ -	$ 62	$ 113
1998	94	95	-	90	99
1997	73	49	-	28	94

Includes accounts written off as uncollectible, recoveries and the effect of currency exchange rates.

Valuation allowance for deferred tax assets

Year ended September 30:					
1999	$ 4,089	$ 5,092	$ -	$ 5,431	$ 3,750
1998	2,754	1,335	-	-	4,089
1997	4,264	-	-	1,510	2,754

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Separate financial statements of the registrant alone are omitted because the registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interest and/or indebtedness to any person other than the registrant or its consolidated subsidiaries in amounts which together exceed 5% of the total assets as shown by the most recent year-end consolidated balance sheet.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Mechanical Technology Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of Mechanical Technology Incorporated and Subsidiaries at September 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/PricewaterhouseCoopers L.L.P.

Albany, New York
November 12, 1999

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 1999 and 1998

	(Dollars in thousands) 1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,870	$ 5,567

Investments in marketable securities	7,876	-
Accounts receivable, less allowance of $113 (1999) and $99 (1998)	3,852	4,959
Other receivables - related parties	105	87
Inventories	3,752	3,748
Taxes receivable	10	8
Note receivable - current	329	327
Prepaid expenses and other current assets	265	472
Net assets of a discontinued operation	-	8
Total Current Assets	22,059	15,176
Property, Plant and Equipment, net	827	4,467
Note receivable - noncurrent	184	264
Investment in Plug Power	8,710	1,221
Total Assets	$ 31,780	$ 21,128

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

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
September 30, 1999 and 1998

	(Dollars in thousands) 1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Income taxes payable	$ -	$ 5
Accounts payable	614	2,064
Accrued liabilities	2,243	3,328
Contribution payable-Plug Power	-	4,000
Net liabilities of discontinued operations	540	-
Total Current Liabilities	3,397	9,397
LONG-TERM LIABILITIES		
Deferred income taxes and other credits	597	607
Total Liabilities	$ 3,994	$ 10,004
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, par value $1 per share, authorized 15,000,000; issued 11,649,959 (1999) and 10,773,968(1998)	11,649	10,775
Paid-in capital	42,755	16,274
Deficit	(26,573)	(15,885)
	27,831	11,164
Accumulated Other Comprehensive Loss:		
Unrealized loss on available for sale		

securities, net	(5)	-
Foreign currency translation adjustment	(11)	(11)
Accumulated Other Comprehensive Loss	(16)	(11)
Common stock in treasury, at cost, 6,750 shares (1999) and 4,500 shares (1998)	(29)	(29)
Total Shareholders' Equity	27,786	11,124
Total Liabilities and Shareholder's Equity	$ 31,780	$ 21,128

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

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended September 30, 1999, 1998 and 1997
(Dollars in thousands, except per share)

	1999	1998	Restated 1997
Net sales	$ 12,885	$ 21,028	$ 24,102
Cost of sales	8,239	12,386	14,474
Gross profit	4,646	8,642	9,628
Selling, general and administrative expenses	4,949	5,812	7,015
Product development and research costs	1,105	831	1,020
Operating (loss) income	(1,408)	1,999	1,593
Interest expense	(106)	(102)	(323)
Gain on sale of division/subsidiary	-	-	2,012
Equity in losses of Plug Power	(9,363)	(3,806)	(330)
Other income(expense), net	185	(97)	(251)
(Loss)income from continuing operations before extraordinary item and income taxes	(10,692)	(2,006)	2,701
Income tax expense	37	25	143
(Loss)income from continuing operations before extraordinary item	(10,729)	(2,031)	2,558
Extraordinary item- gain on extinguishment of debt, net of taxes ($106)	-	-	2,507
(Loss)income from continuing operations	(10,729)	(2,031)	5,065
Income(loss)from discontinued operations	41	(2,285)	(545)
Net(loss)income	$(10,688)	$ (4,316)	$ 4,520
Earnings (loss) per share (Basic and Diluted):			
(Loss)income before extraordinary item	$ (.94)	$ (.21)	$ .28
Extraordinary item	-	-	.27
(Loss)from discontinued operations	-	(.24)	(.06)
Net(loss)income	$ (.94)	$ (.45)	$ .49

The accompanying notes are an integral part of the consolidated financial

statements.

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended September 30, 1999, 1998 and 1997
(Dollars in thousands)

	1999	1998	Restated 1997
COMMON STOCK			
Balance, October 1 (1997 balance as previously reported)	$ 10,775	$ 8,864	$ 4,902
Three-for-two common stock split effected in the form of a 50% stock dividend effective April 30, 1999	-	-	2,451
Issuance of shares - options	56	117	-
Issuance of shares	818	1,794	1,511
Balance, September 30	$ 11,649	$ 10,775	$ 8,864
PAID-IN-CAPITAL			
Balance, October 1 (1997 balance as previously reported)	$ 16,274	$ 10,968	$ 13,423
Three-for-two common stock split effected in the form of a 50% stock dividend effective April 30, 1999	-	-	(2,451)
Issuance of shares - options	168	108	-
Issuance of shares	11,826	5,198	(4)
Plug Power investment	14,487	-	-
Balance, September 30	$ 42,755	$ 16,274	$ 10,968
DEFICIT			
Balance, October 1	$(15,885)	$(11,569)	$(16,089)
Net(loss)income	(10,688)	(4,316)	4,520
Balance, September 30	$(26,573)	$(15,885)	$(11,569)
UNREALIZED LOSS ON AVAILABLE FOR SALE SECURITIES, NET			
Balance, October 1	$ -	$ -	$ -
Unrealized loss on available for for sale securities, net	(5)	-	-
Balance, September 30	$ (5)	$ -	$ -
FOREIGN CURRENCY TRANSLATION ADJUSTMENT			
Balance, October 1	$ (11)	$ (19)	$ (19)
Adjustments	-	8	-
Balance, September 30	$ (11)	$ (11)	$ (19)
TREASURY STOCK			
Balance, October 1	$ (29)	$ (29)	$ (29)
Restricted stock grants	-	-	-
Balance, September 30	$ (29)	$ (29)	$ (29)
RESTRICTED STOCK GRANTS			
Balance, October 1	$ -	$ (2)	$ (24)
Grants issued/vested, net	-	2	22
Balance, September 30	$ -	$ -	$ (2)
SHAREHOLDERS' EQUITY			
September 30	$ 27,786	$ 11,124	$ 8,213

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

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 1999, 1998 and 1997
(Dollars in thousands)

	1999	1998	Restated 1997
OPERATING ACTIVITIES			
(Loss)income from continuing operations	$ (10,729)	$ (2,031)	$ 5,065
Adjustments to reconcile net (loss) income to net cash provided (used) by continuing operations:			
Depreciation and amortization	581	323	243
Gain on extinguishment of debt, net of taxes	-	-	(2,507)
Gain on sale of subsidiaries	-	-	(2,012)
Unrealized loss on marketable securities	(5)	-	-
Equity in losses of Plug Power	9,363	3,806	330
Accounts receivable reserve	14	5	21
Loss on sale of fixed assets	28	9	-
Deferred income taxes and other credits	(10)	13	(170)
Other	-	-	31
Stock option compensation	55	-	-
Changes in operating assets and liabilities net of effects from discontinued operations:			
Accounts receivable	1,093	(1,069)	(44)
Accounts receivable - related parties	(18)	-	-
Inventories	(4)	(362)	228
Prepaid expenses and other current assets	(174)	(346)	(18)
Accounts payable	(1,450)	788	(87)
Income taxes	(7)	(76)	(49)
Accrued liabilities	(1,085)	(519)	58
Net cash (used) provided by continuing operations	(2,348)	541	1,089
Discontinued Operations:			
Income/(loss)from discontinued operations	41	(2,285)	(574)
Adjustments to reconcile income to net cash provided (used) by discontinued operations:			
Changes in net assets/liabilities of discontinued operations	548	3,178	31
Net assets transferred from discontinued operations	-	(878)	-
Net cash provided (used) by discontinued operations	589	15	(543)
Net cash (used) provided by operations	(1,759)	556	546
INVESTING ACTIVITIES			
Purchases of property, plant & equipment	(2,738)	(3,166)	(377)
Investment in marketable securities	(7,876)	-	-
Proceeds from sale of subsidiaries	-	-	2,600
Principal payments from note receivable	78	59	-
Investment in Plug Power	(6,000)	-	-
Note receivable Plug Power	-	(500)	-
Net cash (used)provided by investing activities	(16,536)	(3,607)	2,223
FINANCING ACTIVITIES			
Borrowings under IDA financing, less restricted cash	5,858	-	-
Proceeds from options exercised	153	225	-
Proceeds from rights offering	12,820	7,178	-
Costs of rights offering	(158)	(186)	-
Debt issue costs	(75)	(28)	-
Net (payments) under line-of-credit and note agreement	-	-	(100)
Principal payments on long-term debt	-	-	(1,310)
Net cash provided(used)by financing activities	18,598	7,189	(1,410)
Effect of exchange rate changes on cash flows	-	8	-
Increase in cash and cash equivalents	303	4,146	1,359
Cash and cash equivalents - beginning of year	5,567	1,421	62
Cash and cash equivalents - end of year	$ 5,870	$ 5,567	$ 1,421

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

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For The Years Ended September 30, 1999, 1998 and 1997
(Dollars in thousands)

	1999	1998	Restated 1997
Supplemental Disclosures			
NONCASH INVESTING ACTIVITIES			
Contribution of net assets to Plug Power:			
Accounts receivable	$ -	$ 500	$ -
Note receivable	-	500	-
Inventories	-	-	1
Property, plant and equipment, net	-	-	452
Accounts payable	-	-	(46)
Accrued liabilities	-	-	(50)
Contribution payable - Plug Power	-	4,000	-
	$ -	$ 5,000	$ 357
Proceeds from sale of subsidiary			
Notes receivable	$ -	$ -	$ 650
Net noncash provided by investing activities	$ -	$ 5,000	$ 1,007
NONCASH FINANCING ACTIVITIES			
Conversion of Note Payable to Common Stock:			
Note Payable extinguishment	$ -	$ -	$ (3,000)
Common stock issued	-	-	1,500
Accrued interest - Note Payable	-	-	(1,213)
Additional paid-in capital - Other Investors	14,487	-	-
Campus contribution to Plug Power:			
Debt	(6,000)	-	-
Fixed assets	5,861	-	-
Prepaid expenses	364	-	-
Restricted cash	142	-	-
Net noncash provided (used) by financing activities	$14,854	$ -	$ (2,713)
Net noncash provided (used) by investing and financing activities	$14,854	$ 5,000	$ (1,706)

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

MECHANICAL TECHNOLOGY INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and

accounts have been eliminated. The Company has a 40.65% interest in Plug Power, L.L.C. ("Plug Power"). The consolidated financial statements include the Company's investments in Plug Power (including obligations to invest), plus its share of losses. The investment is included in the financial line "Investment in Plug Power".

Use of Estimates

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

Financial Instruments

The fair value of the Company's financial instruments including cash and cash equivalents, investments, line-of-credit, note payable and long-term debt, approximates carrying value. Fair values were estimated based on quoted market prices, where available, or on current rates offered to the Company for debt with similar terms and maturities.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Property, Plant, and Equipment

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

Buildings and improvements	20 to 40 years
Leasehold improvements	10 years
Machinery and equipment	2 to 10 years
Office furniture and fixtures	3 to 10 years

Significant additions or improvements extending assets' useful lives are capitalized; normal maintenance and repair costs are expensed as incurred. The costs of fully depreciated assets remaining in use are included in the respective asset and accumulated depreciation accounts.

(1) Accounting Policies (continued)

When items are sold or retired, related gains or losses are included in net income.

Income Taxes

The Company accounts for taxes in accordance with Financial Accounting Standard No. 109, "Accounting for Income Taxes," which requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax bases of existing assets and liabilities. Under FAS No. 109, the effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. The provision for taxes is reduced by investment and other tax credits in the years such credits become available.

Revenue Recognition

Sales of products are recognized when products are shipped to customers. Sales of products under long-term contracts are recognized under the percentage-of-completion method. Percentage-of-completion is based on the ratio of incurred costs to current estimated total costs at completion. Total contract losses are charged to operations during the period such losses are estimable.

Foreign Currency Translation

Assets and liabilities of the foreign subsidiary are translated at year-end rates of exchange, and revenues and expenses are translated at the average rates of exchange for the year. Gains or losses resulting from the translation of the foreign subsidiary's balance sheet are accumulated in a separate component of shareholders' equity.

Cash and Cash Equivalents

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

Investments in Marketable Securities
Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such determinations at each balance sheet date. Marketable securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale along with any

(1)Accounting Policies (continued)

investments in mutual funds. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of income taxes, reported as a separate component of Shareholders' Equity. The Company has had no investments that qualify as trading or held to maturity.

The amortized cost of debt securities is adjusted for accretion of discounts to maturity. Such accretion as well as interest are included in interest income. Realized gains and losses are included in Other income (expense), net in the Consolidated Statements of Operations. The cost of securities sold is based on the specific identification method.

The Company's investments in marketable securities are diversified among high-credit quality securities in accordance with the Company's investment policy.

Earnings (Loss) Per Share

Effective October 1, 1997, the Company adopted Financial Accounting Standard No. 128, "Earnings per Share." In accordance with this Standard, net income(loss) per share is computed using the weighted average number of common shares outstanding during each year. Diluted net income(loss) per share includes the effects of all potentially dilutive securities. Earnings per share amounts for all periods presented have been computed in accordance with this Standard.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was approximately $102, $83 and $92 thousand in 1999, 1998, and 1997, respectively.

Asset Impairment

The Company adopted SFAS No. 121, "Accounting For The Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of." This statement requires companies to record impairments to long-lived assets, certain identifiable intangibles, and related goodwill when events or changing circumstances indicate a probability that the carrying amount of an asset may not be fully recovered. Impairment losses are recognized when expected future cash flows are less than the asset's carrying value.

Reclassification and Restatement

Certain 1998 and 1997 amounts have been reclassified to conform to the 1999 presentation. The financial statements for 1997 have also been

restated to reflect the discontinuance of the Company's Technology Division (See Note 16).

(2) Investments in Marketable Securities

The following is a summary of the investments in marketable securities classified as current assets:

(Dollars in thousands)	1999	1998
Available for sale securities:		
Corporate debt securities		
Fair Value	$ 7,876	$ -
Amortized Cost	$ 7,881	$ -
Unrealized Loss	$ (5)	$ -

The difference between the amortized cost of available for sale securities and their fair market value results in unrealized gains and losses, which are recorded as a separate component of stockholders' equity. Gross realized gains and losses on sales of available for sale securities were immaterial in 1999, 1998 and 1997.

The estimated fair value of available for sale securities by contractual maturity is as follows:

(Dollars in thousands)	1999
Due in one year or less	$ 4,916
Due after one year through three years	-
Due after three years	2,960
	$ 7,876

Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

(3) Inventories
Inventories consist of the following:

(Dollars in thousands)	1999	1998
Finished goods	$ 73	$ 112
Work in process	916	791
Raw materials, components and Assemblies	2,763	2,845
	$ 3,752	$ 3,748

(4) Property, Plant and Equipment
Property, plant and equipment consists of the following:

(Dollars in thousands)	1999	1998
Land and improvements	$ -	$ 125

Buildings and improvements	26	6,111
Leasehold improvements	470	517
Machinery and equipment	3,686	4,285
Office furniture and fixtures	621	866
	4,803	11,904
Less accumulated depreciation	3,976	7,437
	$ 827	$ 4,467

At the beginning of 1998, assets with a net book value of $878 thousand consisting primarily of land, building and management information systems were transferred from discontinued operations to continuing operations.

Construction in progress, included in buildings and improvements, was approximately $1,371 thousand in 1998.

At the end of 1999, the Company was committed to approximately $387 thousand of future expenditures for new furniture, equipment and fixtures.

Depreciation expense was $489, $317 and $216 thousand for 1999, 1998 and 1997, respectively. Repairs and maintenance expense was $166, $177 and $175 thousand for 1999, 1998 and 1997, respectively.

Prior to the sale of all land and buildings to Plug Power in 1999, the cost and accumulated depreciation of buildings and improvements leased to Plug Power was:

(Dollars in thousands)	1998	1997
Cost	$ 1,547	$ 21
Accumulated depreciation	(660)	(17)
	$ 887	$ 4

(5) Notes Receivable

Notes receivable consists of the following:

(Dollars in thousands)		1999	1998
Notes receivable with an interest rate of 10%, interest and principal due September 30, 1998	(A) $ 250	$ 250	
Notes receivable with an interest rate 10%, due in monthly installments through September 30, 2002		263	341
		513	591
Less: Current portion		(329)	(327)
		$ 184	$ 264

(A) The principal amount of this note may be reduced in accordance with the terms of the note in the event of a sale of the fixed assets. The purchaser has requested that the principal amount of the note be reduced to reflect the resale value of certain assets of L.A.B. The Company is enforcing its rights with respect to the note and is currently litigating for the collection of this note.

(6) Investment in Plug Power, L.L.C.

On June 27, 1997, the Company and Edison Development Corp. ("EDC"), a subsidiary of DTE Energy Co. formed a joint venture, Plug Power, L.L.C. ("Plug Power"), to further develop the Company's Proton Exchange Membrane ("PEM") Fuel Cell technology. In exchange for its contribution of contracts and intellectual property and certain other net assets that had comprised the fuel cell research and development business activity of the Technology segment (which assets had a net book value of $357 thousand), the Company received a 50% interest in Plug Power. EDC made an initial cash contribution of $4.75 million in exchange for the remaining 50% interest in Plug Power. The Company's investment in Plug Power is included in the balance sheet caption "Investment in Plug Power"; the assets contributed by the Company to Plug Power in fiscal 1997 had previously been included in the assets of the Company's Technology segment. See the supplemental disclosure regarding Contribution of Net Assets to Plug Power in the Consolidated Statements of Cash Flows for additional information regarding the assets contributed by the Company to Plug Power. The Company recorded the carrying value of the net assets contributed as its initial investment in Plug Power in recognition of the nature of the venture's undertaking.

(6) Investment in Plug Power, L.L.C. (continued)

On April 15, 1998, EDC contributed $2.25 million in cash to Plug Power. The Company contributed a below-market lease for office and manufacturing facilities in Latham, New York valued at $2 million and purchased a one-year option to match the remaining $250 thousand of EDC's contribution. In May 1998, EDC contributed an additional $2 million to Plug Power and the Company purchased another one-year option to match the contribution. The Company paid approximately $191 thousand for the options, which were scheduled to mature April 24, 1999 ($250 thousand) and June 15, 1999 ($2 million).

As of March 25, 1999, the Company and Plug Power exchanged the foregoing options and certain "research credits" (described below) for 2.25 million Plug Power membership interests. The Company earned the research credits by assisting Plug Power in securing the award of certain government grants and research contracts during the period June 1997 through April 1999.

In August, 1998, the Company committed to contribute an additional $5 million dollars (in cash, accounts receivable and research credits) to Plug Power between August 5, 1998 and March 31, 1999 and recorded a liability representing this obligation. During the period from September 1998 to February 1999, the Company fully funded this commitment by contributing $4 million cash and converting $.5 million of accounts receivable and $.5 million of notes receivable.

During April 1999, the Company and EDC amended and restated the Plug Power Mandatory Capital Contribution Agreement. The agreement, which was effective as of January 26, 1999, stated that, in the event Plug Power determined that it required funds at any time through December 31, 2000, Plug Power had the right to call upon the Company and EDC to each make capital contributions as follows:

* The Company and EDC would each fund capital calls of up to $7.5 million in 1999 and $15 million in 2000 ("Capital Commitment").
* In exchange for such capital contributions to Plug Power, the Company and EDC would receive class A membership interests ("Shares") from Plug Power at $7.50 per share.
* The Company and EDC would share the Capital Commitment equally.
* Plug Power's Board of Managers would determine when there is need for such capital contributions.
* The Company and EDC would have sixty (60) days from the date of such authorization to tender their payment to Plug Power.

The agreement was scheduled to terminate on December 31, 2000 or the date of an initial public offering of shares by Plug Power at a per

(6)Investment in Plug Power, L.L.C. (continued)

share price of greater than $7.50 per share ("Termination Date"). In exchange for the Capital Commitment, Plug Power agreed to permit the Company and EDC to make capital contributions to the extent of their Capital Commitment on the Termination Date, whether or not such funds have been called, in exchange for shares at the fixed price of $7.50 per share.

In June 1999, the Company and Plug Power entered into an agreement for the sale of the MTI campus and adjacent residence, including all land and buildings, to Plug Power in exchange for 704,315 Class A membership interests and the assumption of approximately $6 million in debt by Plug Power. The sale of the MTI facility and the transfer of the $6 million IDR bonds to Plug Power were effective as of July 1, 1999 with no gain or loss recognized.

In August 1999, the Company committed to purchase 3 million shares of Plug Power if the public offering price of Plug Power's stock was greater than $7.50 per share. The Mandatory Capital Contribution Agreement between the Company and Plug Power, dated as of January 26, 1999 was amended and restated to reflect this commitment.

On September 30, 1999, the Company purchased 266,667 shares of Plug Power at $7.50 per share. This purchase reduced the Company's commitment to purchase Plug Power shares at the time of its public offering from 3,000,000 shares to 2,733,333 shares at a price of $7.50 per share.

The Company's total contributions to Plug Power (including contributions of cash, assets, research credits, below market lease and real estate) for the period commencing on June 27, 1997, and ending September 30, 1999 total $20.7 million.

During calendar 1999, Plug Power's equity increased approximately $50.628 million primarily due to investments by investors. Of this amount, $30.368 million was received in cash, $9.010 million in property and services and $11.250 million represents membership interests issued in connection with the formation of GE Fuel Cell Systems LLC. As a result, the Company recorded its proportionate share of the increase in Plug Power's equity ($14.854 million) as investment in Plug Power and additional paid-in capital.

The Company has recorded its proportionate share of Plug Power's losses to the extent of its recorded investment in Plug Power. The carrying value of the Company's investment is $8.71 million as of September 30, 1999 for a 40.65% interest in Plug Power.

(6)Investment in Plug Power, L.L.C. (continued)

The Company will recognize its proportionate shares of losses in the

future to the extent of its carrying value and additional future investments.

On November 1, 1999, the Company purchased 2,733,333 shares of Plug Power at $7.50 per share. This purchase completed the Company's commitment to purchase Plug Power shares at the time of its public offering. Plug Power's public offering was completed at $15 per share. The Company's total contributions to Plug Power as of November 1, 1999 total $41.2 million. Immediately after the Plug Power IPO, the Company owned 13,704,315 shares or 31.9% of Plug Power.

At September 30, 1999 and 1998, the difference between the carrying value of the Company's investment in Plug Power and its interest in the underlying equity consists of the following:

(Dollars in thousands)	1999	1998
Calculated ownership (40.65% in 1999 and 50% in 1998)	$12,704	$ 2,431
Unrecognized negative goodwill	(3,994)	(2,085)
Value of below market lease contribution	-	(2,000)
Calculated 50% of equity value under option	-	(1,125)
Contribution liability	-	4,000
Carrying value of Investment in Plug Power	$ 8,710	$ 1,221

Summarized below is financial information for Plug Power. Plug Power's fiscal year ends December 31.

(Dollars in thousands)	9 Months Ended Sept 30, 1999	Year Ended Dec 31, 1998	Dec 31, 1997
Current assets	$12,024	$ 5,293	$3,917
Noncurrent assets	31,522	2,800	929
Current liabilities	6,291	2,601	1,250
Noncurrent liabilities	6,002	-	-
Stockholders' equity	31,253	5,493	3,597
Gross revenue	6,702	6,541	1,194
Gross profit	(3,148)	(2,323)	(33)
Net loss	(24,867)	(9,616)	(5,903)

(7) Income Taxes

Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates.

Income tax expense (benefit) for the years ended September 30, consists of the following:

(Dollars in thousands)	1999	1998	1997
Continuing operations			
Federal	$ 1	$ 15	$ 62
State	36	10	81
Deferred	-	-	-
	37	25	143
Discontinued operations			
Federal	-	-	(17)
State	-	-	(12)
Deferred	-	-	-

	-	-	(29)
Extraordinary Item			
Federal	-	-	28
State	-	-	78
Deferred	-	-	-
	-	-	106
	$ 37	$ 25	$ 220

The significant components of deferred income tax expense (benefit) for the years ended September 30, are as follows:

(Dollars in thousands)	1999	1998	1997
Continuing operations			
Deferred tax (benefit) expense	$ (1,833)	$ (667)	$ (356)
Net operating loss carryforward	(3,259)	105	1,223
Valuation allowance	5,092	562	(867)
	-	-	-
Discontinued operations			
Deferred tax expense(benefit)	114	(508)	60
Net operating loss carryforward	(97)	(265)	(251)
Valuation allowance	(17)	773	191
	-	-	-
	$ -	$ -	$ -

(7)Income Taxes (continued)

	1999	1998	1997
Extraordinary item			
Deferred tax (benefit) expense	-	-	(28)
Net operating loss carryforward	-	-	862
Valuation allowance	-	-	(834)
	-	-	-
	$ -	$ -	$ -

The Company's effective income tax rate from continuing operations differed from the Federal statutory rate as follows:

	1999	1998	1997
Federal statutory tax rate	(34%)	(34%)	34%
State taxes, net of federal tax effect	-	-	2%
Change in valuation allowances	34%	28%	(32%)
Alternative minimum tax	-	-	2%
Other, net	-	7%	(1%)
	-%	1%	5%

The deferred tax assets and liabilities as of September 30, consist of the following tax effects relating to temporary differences and carryforwards:

(Dollars in thousands)	1999	1998
Current deferred tax assets:		
Loss provisions for discontinued operations	$ 300	$ 337

Bad debt reserve	112	96
Inventory valuation	173	161
Inventory capitalization	39	20
Vacation pay	63	66
Warranty and other sale obligations	86	25
Other reserves and accruals	116	151
	889	856
Valuation allowance	(889)	(856)
Net current deferred tax assets	$ -	$ -

(7) Income Taxes (continued)

	1999	1998
Noncurrent deferred tax assets (liabilities):		
Net operating loss	$ 5,687	$ 1,951
Property, plant and equipment	122	(9)
Investment in Plug Power	(3,322)	954
Other	224	187
Alternative minimum tax credit	150	150
	2,861	3,233
Valuation allowance	(2,861)	(3,233)
Other credits	(597)	(607)
Noncurrent net deferred tax liabilities and other credits	$ (597)	$ (607)

The valuation allowance at year ended September 30, 1999 is $3.750 million and at September 30, 1998 was $4.089 million. During the year ended September 30, 1999, the valuation allowance decreased by $339 thousand.

At September 30, 1999, the Company has unused Federal net operating loss carryforwards of approximately $14.219 million. The Federal net operating loss carryforwards if unused will begin to expire during the year ended September 30, 2009. The use of $5.339 million of these carryforwards is limited on an annual basis, pursuant to the Internal Revenue Code, due to certain changes in ownership and equity transactions. For the year ended September 30, 1999, the Company has available alternative minimum tax credit carryforward of approximately $150 thousand.

The Company made cash payments, net of refunds, for income taxes of $15, $42 and $361 thousand for 1999, 1998 and 1997, respectively.

(8) Accrued Liabilities

Accrued liabilities consist of the following:

(Dollars in thousands)	1999	1998
Salaries, wages and related expenses	$ 553	$ 999
Acquisition and disposition costs	431	410
Legal and professional fees	169	305
Warranty and other sale obligations	398	607
Accrued severance	-	143
Deferred income	264	267
Commissions	182	213
Interest expense	7	8
Other	239	376
	$ 2,243	$ 3,328

(9) Debt

The Company has a working capital line of credit available in the amount of $4 million with interest payable monthly at a rate of prime (8.25% and 8.5% at September 30, 1999 and 1998, respectively) or LIBOR plus 2.5% (7.9% and 7.875% at September 30, 1999 and 1998, respectively). This obligation is collateralized by the assets of the Company, exclusive of its investment in Plug Power. The Company also has a $1 million equipment loan/lease line of credit at an interest rate of LIBOR plus 2.75% (8.15% and 8.125% at September 30, 1999 and 1998, respectively). This obligation is collateralized by the equipment purchased under the line of credit. The lines of credit expire on January 31, 2000. No amounts were outstanding under these lines at September 30, 1999 and 1998.

On December 17, 1998, the Industrial Development Agency for the Town of Colonie issued $6 million in Industrial Development Revenue ("IDR") Bonds on behalf of the Company to assist in the construction of a new building for Advanced Products and the Company's corporate staff and renovation of existing buildings leased to Plug Power. The IDR Bond proceeds were deposited with a trustee for the bondholders and the Company drew bond proceeds to cover qualified project costs. First Albany Companies Inc. ("FAC"), which owns 34% of the Company's stock, underwrote the sale of the IDR Bonds. FAC received no fees for underwriting the IDR Bonds but will be reimbursed for its out-of-pocket costs.

KeyBank issued a letter of credit (the credit agreement) for approximately $6 million in connection with the $6 million IDR Bonds. The KeyBank credit agreements require the Company to meet certain covenants, including a fixed charge coverage and leverage ratio. Further, if certain performance standards are achieved, the interest rates on the debt may be reduced.

The credit agreement also requires the Company to grant a first lien on all consolidated assets of the Company, exclusive of its investment in Plug Power, a first mortgage on all land and buildings owned by the Company and a first lien on any equipment purchased by the Company.

The IDR Bond Obligation, letter of credit and unexpended bond proceeds were transferred to Plug Power in connection with the sale of the MTI facility and adjacent residence effective July 1, 1999.

(9)Debt (continued)

On November 1, 1999, the Company entered into a $22.5 million Credit Agreement with KeyBank, N.A. ("the $22.5 million Credit Agreement"), the Company has pledged 13,704,315 shares of Plug Power Common Stock as collateral for its $22.5 million loan from KeyBank, N.A. ("Loan"). The proceeds of this loan were used to fund the Company's remaining $20.5 million balance of its Mandatory Capital Commitment to contribute $22.5 million to Plug Power. Although the Credit Agreement does not require the Company to sell shares of Plug Power Common Stock, the Company may sell shares of Plug Power Common Stock to pay interest or principal on the Loan. Pursuant to the $22.5 million Credit Agreement, the Company is

obligated to make interest only payments for the first 18 months following the closing of the Loan, and to repay the principal in 6 equal quarterly installments of $3.750 million each, commencing on June 30, 2001. In addition, a one time commitment fee totaling $247,500 is payable for the Loan, $75,000 of which was paid as of September 30, 1999. Interest is payable monthly at a rate of Prime (8.25% on November 1, 1999) or if certain performance standards are achieved, the interest rates on the $22.5 million Credit Agreement may be reduced.

The $22.5 million Credit Agreement requires the Company to meet certain covenants, including maintenance of a collateral account which at all times has a minimum market value of $600 thousand and a balance on November 1, 1999 of $2.65 million, and maintenance of a collateral coverage ratio. The existing covenants under the original letter of credit were eliminated pursuant to the $22.5 million Credit Agreement.

The weighted average interest rate for the Note Payable, IDR Bonds and Line of Credit during 1999 was 5.11%, 9.02% during 1998 and 10.75% during 1997.

Cash payments for interest were $164, $97 and $201 thousand for 1999, 1998 and 1997, respectively.

(10) Shareholders' Equity

On July 12, 1999, the Company completed the sale of 801,223 shares of common stock to current shareholders through a rights offering. The offering raised approximately $12.820 million before offering costs of approximately $158 thousand for net proceeds of approximately $12.671 million. The Company will use some or all of the proceeds of the offering for investment into Plug Power. In addition, some proceeds may be used for acquisitions for the Company's core businesses, efforts to increase market share, working capital, general corporate purposes and other capital expenditures.

(10)Shareholders' Equity (continued)

On April 23, 1999, the Company declared a 3 for 2 stock split in the form of a stock dividend. Holders of the Company's $1.00 par value common stock received one additional share of $1.00 par value common stock for every two shares of common stock owned as of April 30, 1999. The financial statements for all prior periods have been retroactively adjusted to reflect this stock split for both common stock issued and options outstanding.

On September 30, 1998, the Company completed the sale of 1,196,399 shares of common stock to current shareholders through a rights offering. The offering raised approximately $7.178 million before offering costs of approximately $186 thousand for net proceeds of approximately $6.992 million. The Company has used some or all of the proceeds of the offering for investment in Plug Power. In addition, some proceeds may be used for acquisitions for the Company's core businesses, efforts to increase market share, working capital, general corporate purposes and other capital expenditures.

Changes in common shares for 1999, 1998 and 1997 are as follows:

Common Shares	1999	1998	1997
Balance, October 1 (1997 balance as previously reported)	10,773,968	8,862,992	4,902,201
Three-for-two common stock split effected in the form of a 50% stock dividend effective April 30, 1999	-	-	2,451,101
Issuance of shares for stock option exercises	74,768	116,377	-
Issuance of shares for stock sale	801,223	1,794,599	1,500,000

Issuance of shares - consultant	-	-	9,690
Balance, September 30	11,649,959	10,773,968	8,862,992
Treasury Shares			
Balance, October 1	4,500	4,500	4,500
Acquisition of shares	2,250	-	-
Balance, September 30	6,750	4,500	4,500

(11) Earnings per Share

The amounts used in computing earnings per share and the effect on income and the weighted average number of shares of potentially dilutive securities are as follows:

(Dollars in Thousands)	1999	1998	1997
(Loss) income before extraordinary item and available to common stockholders	$ (10,729)	$ (2,031)	$ 2,558
Weighted average number of shares:			
Weighted average number of shares used in net (loss)/income per share, including the bonus element effects for the rights offering	11,330,530	9,576,672	9,134,308
Effect of dilutive securities:			
Stock options	-	-	14,868
Weighted average number of shares used in diluted net (loss)/income per share	11,330,530	9,576,672	9,149,176

During fiscal 1999, options to purchase 741,613 shares of common stock at prices ranging between $1.63 and $22.50 per share were outstanding but were not included in the computation of Earnings per Share-assuming dilution because the Company incurred a loss from continuing operations and inclusion would be anti-dilutive. The options expire between December 20, 2006 and June 16, 2009.

During fiscal 1998, options to purchase 607,372 shares of common stock at prices ranging from $1.63 to $4 per share were outstanding but were not included in the computation of Earnings per Share-assuming dilution because the Company incurred a loss from continuing operations and inclusion would be anti-dilutive. The options expire between December 20, 2006 and August 31, 2008.

(12) Stock Option Plan

During March 1999, the shareholders approved the 1999 Employee Stock Incentive Plan ("1999 Plan"). The 1999 Plan provides that an initial aggregate number of 1 million shares of common stock may be awarded or issued. The number of shares available under the 1999 Plan may be adjusted for stock splits and during 1999 the number of shares available under the plan increased to 1,500,000 shares. Under the 1999 Plan, the Board of Directors is authorized to award stock options to officers, employees and others.

(12) Stock Option Plan (continued)

During December 1996, the shareholders approved a stock incentive plan ("1996 Plan"). The 1996 Plan provides that an initial aggregate number of 500,000 shares of common stock may be awarded or issued. The number of shares available under the 1996 Plan may be increased by 10% of any increase in the number of outstanding shares of common stock for reasons other than shares issued under this 1996 Plan. During 1999 and 1998, the number of shares available under the 1996 Plan increased to 1,159,582 and 719,640 shares respectively. Under the 1996 Plan, the Board of Directors is authorized to award stock options, stock appreciation rights, restricted stock, and other stock-based incentives to officers, employees and others.

Options are generally exercisable in from one to five cumulative annual amounts beginning 12 months after the date of grant. Certain options granted may be exercisable immediately. Option exercise prices are not less than the market value of the shares on the date of grant. Unexercised options generally terminate ten years after grant.

During 1999, the Company awarded 15,000 options to a consultant. The fair value of these options ($55 thousand) was charged to expense.

For the purpose of applying Financial Accounting Standard No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation", the fair value of each option granted is estimated on the grant date using the Black-Scholes Single Option model. The dividend yield was 0% for 1999, 1998, and 1997, respectively. The expected volatility was 78% in 1999, 102% in 1998 and 78% in 1997. The expected life of the options is 5 years. The risk free interest rate ranges from 4.37% to 5.81% in 1999, 5.52% to 5.85% in 1998 and 6.12% to 6.67% in 1997. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock options. Accordingly, no compensation cost has been recognized in 1999, 1998 or 1997. Had compensation cost and fair value been determined pursuant to FAS 123, net loss would increase from $(10,688) to $(11,988) thousand in 1999 and from $(4,316) to $(4,773) thousand in 1998 and net income would decrease from $4,520 to $4,351 thousand in 1997. Basic and diluted loss per share would increase from $(0.94) to $(1.06) in 1999 and from $(0.45) to $(0.50) in 1998 and basic and diluted earnings per share would decrease from $0.49 to $0.48 in 1997. The weighted average fair value of options granted during 1999, 1998 and 1997 for purposes of FAS 123, is $5.80, $4.70 and $1.96 per share, respectively.

(12)Stock Option Plan (continued)

Activity with respect to the 1996 Plan is as follows:

	1999	1998	1997
Shares under option at October 1	607,372	623,400	-
Options granted	232,550	297,750	634,650
Options exercised	(78,949)	(116,378)	-
Options canceled	(19,360)	(197,400)	(11,250)
Shares under option at September 30	741,613	607,372	623,400
Options exercisable at September 30	419,438	271,373	115,200
Shares available for granting of options	222,642	355,710	276,600

The weighted average exercise price is as follows:

	1999	1998	1997
Shares under option at October 1	$ 2.89	$ 1.94	$ -
Options granted	8.62	3.83	1.94
Options exercised	2.26	1.91	-
Options canceled	3.36	1.74	1.63
Shares under option at September 30	4.89	2.89	1.94
Options exercisable at September 30	5.59	2.64	1.95

The following is a summary of the status of options outstanding at September 30, 1999:

Outstanding Options				Exercisable Options	
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$1.63-$2.29	257,438	7.7	$2.12	151,313	$2.09
$3.17-$4.67	244,875	8.7	$3.98	113,625	$3.98
$5.00-$5.33	129,300	9.2	$5.28	49,500	$5.30
$12.50	105,000	9.5	$12.50	105,000	$12.50
$22.50	5,000	9.7	$22.50	-	
	741,613			419,438	

(13) Retirement Plan

The Company maintains a voluntary savings and retirement plan (Internal Revenue Code Section 401(k) Plan) covering substantially all employees. The Company plan allows eligible employees to contribute a percentage of their compensation; the Company makes additional contributions in amounts as determined by management and the Board of Directors. The investment of employee contributions to the plan is self-directed. The cost of the plan was $168, $152 and $179 thousand for 1999, 1998 and 1997, respectively.

(14)Commitments and Contingencies

On September 9, 1998, Barbara Lawrence, the Lawrence Group, Inc. ("Lawrence"), and certain other Lawrence-related entities ("Plaintiffs") filed suit in the United States Bankruptcy Court for the Northern District of New York against First Albany Corporation, a wholly owned subsidiary of First Albany Companies Inc., Dale Church, Edward Dohring, Alan Goldberg, George McNamee, Beno Sternlicht, Marty Mastroianni (former President and Chief Operating Officer of the Company) and 33 other individuals ("Defendants") who purchased a total of 820,909 shares of MTI stock from the Plaintiffs. The complaint alleged that Defendants purchased MTI stock from the Plaintiffs in violation of sections 10b, 20, 20A and rule 10b-5 of the Securities Exchange Act of 1934. In December 1998, the complaint was amended to add MTI as a defendant and assert a Claim for common law fraud against all the Defendants including the Company. The case concerns the Defendants' 1998 purchase of MTI shares from the Plaintiffs at the price of $2.25 per share. Ownership of the shares was disputed and several of the Plaintiffs were in bankruptcy at the time of the sale. First Albany Corporation acted as Placement Agent for the Defendants in the negotiation and sale of the shares and in proceedings before the Bankruptcy Court for the Northern District of New York, which approved the sale in September 1997. Plaintiffs claim that the Defendants failed to disclose material inside information concerning Plug Power, LLC to the Plaintiffs and therefore the $2.25 per share purchase price was unfair. Plaintiffs are seeking damages of $5 million

plus punitive damages and costs. In April 1999, Defendants filed a motion to dismiss the amended complaint, which was denied. In June 1999, the parties agreed to stay discovery and amend Defendants time to answer the amended complaint until September 17, 1999. In October 1999, Defendants answered the amended Complaint.

During October 1998, a legal action brought by a group of investors against the Company related to a stock purchase agreement and side letter agreements for the sale of the stock of the Company's wholly owned subsidiary, Ling Electronics, Inc. ("Ling"), was determined in favor of the Company.

(14) Commitments and Contingencies (continued)

In February 1995, Ling made a voluntary disclosure to the United States Department of Commerce regarding unlicensed exports of certain products shipped in the first four months of fiscal 1995. Ling has fully cooperated with the Office of Export Enforcement, which has not taken any action to date. Possible administrative sanctions include: no action; a warning letter; denial of export privileges; and/or imposition of civil penalties. Foreign sales represent a significant portion of Ling's total revenue. The final outcome of this matter is not presently determinable and, therefore no provision for any liability that may result has been recorded in the Company's financial statements.

The Company and its subsidiaries lease certain manufacturing, warehouse and office facilities. The leases generally provide for the Company to pay increases over a base year level for taxes, maintenance, insurance and other costs of the leased properties. The leases contain renewal provisions.

Future minimum rental payments required under noncancelable operating leases are (dollars in thousands): $269 in 2000; $305 in 2001; $304 in 2002; $300 in 2003; and $300 in 2004. Rent expense under all leases was $482, $403 and $446 thousand for 1999, 1998 and 1997, respectively.

Rental income under all sub-leases was $164, $66 and $19 thousand in 1999, 1998 and 1997, respectively.

(15) Related Party Transactions

At September 30, 1999 First Albany Companies Inc. ("FAC") owned approximately 34% of the Company's Common Stock (See Note 19).

During fiscal 1999, 1998 and 1997, First Albany Corporation, a wholly owned subsidiary of FAC, provided financial advisory services in connection with the sale of the Technology Division in 1999 and 1998 and the L.A.B. Division in 1997, for which First Albany Corporation was paid fees of $15, $10 and $75 thousand, respectively.

Amounts receivable from an officer totaled approximately $38 thousand and is included in the balance sheet caption "Other receivables-related parties" at September 30, 1999.

On June 27, 1997, the Company entered into a management services agreement with Plug Power to provide certain services and facilities for a period of one year. This agreement expired on June 27, 1998. The Company continued to provide services, which were billed on a cost reimbursement basis. During 1998, the Company entered into leases for manufacturing, laboratory and office space which expired on July 1, 1999 pursuant to the sale of the MTI facility to Plug Power in exchange for 704,315 Plug Power Class A membership interests and the assumption of $6 million in debt by Plug Power.

(15) Related Party Transactions (continued)

Billings under these agreements amounted to $448, $661 and $65 thousand for 1999, 1998 and 1997, respectively. Amounts receivable from Plug Power under these agreements is included in the balance sheet caption "Other receivables-related parties".

On September 30, 1999, the Company made an additional cash contribution of approximately $2 million to Plug Power in exchange for 266,667 Plug Power Class A membership interests.

On July 1, 1999, the Company contributed the MTI campus to Plug Power in exchange for 704,315 Plug Power Class A membership interests. During the remainder of 1999, the Company paid $59 thousand to Plug Power in connection with a lease of office and manufacturing space. This lease will terminate on November 24, 1999.

On August 5, 1998, the Company made a short-term loan to Plug Power of $500 thousand, which was subsequently contributed to capital on September 23, 1998. The Company also converted $500 thousand of its accounts receivable from Plug Power to capital on September 23, 1998. At September 30, 1998, the remaining obligation to provide additional funds to Plug Power was $4 million. During fiscal 1999, the Company fully funded this commitment by contributing $4 million cash.

(16) Discontinued Operations

The sale of the Company's Technology Division, the sole component of the Technology segment, to NYFM, Incorporated (a wholly owned subsidiary of Foster-Miller, Inc., a Waltham, Massachusetts-based technology company) on March 31, 1998 completed management's planned sale of non-core businesses. Accordingly, the Company no longer includes Technology among its reportable business segments and now operates in only one segment, Test & Measurement. The Technology Division is reported as a discontinued operation as of December 26, 1998, and the consolidated financial statements have been restated to report separately the net assets and operating results of the business. In exchange for the Technology Division's assets, NYFM, Incorporated (a) agreed to pay the Company a percentage of gross sales in excess of $2.5 million for a period of five years; (b) assumed approximately $40 thousand of liabilities; and (c) established a credit for warranty work of approximately $35 thousand.

(16) Discontinued Operations (continued)

Discontinued operations consist of the following:

(Dollars in thousands)	1999	1998	1997
Sales	$ -	$ 532	$ 7,878
Income(loss)from discontinued operations before income tax	41	(516)	(574)
Income tax (benefit)	-	-	(29)
Net income(loss)from discontinued operations	$ 41	$ (516)	$ (545)
Loss on disposal of Division	$ -	$(1,769)	$ -
Income tax (benefit)	-	-	-
Loss on disposal of Division	$ -	$(1,769)	$ -

	=======	======	======

The assets and liabilities of the Company's discontinued operations are as follows at September 30:

(Dollars in thousands)	1999	1998
Assets (primarily accounts receivable)	$ 220	$ 1,136
Liabilities (primarily accrued expenses)	760	1,128
Net (Liabilities)Assets	$ (540)	$ 8

Assets with a net book value of $878 thousand consisting primarily of land, building and management information systems were transferred to continuing operations on October 1, 1997.

(17) Sale of Division/Subsidiary

L.A.B. Division

On September 30, 1997, the Company sold all of the assets of its L.A.B. Division to Noonan Machine Company of Franklin Park, IL. The Company received $2.60 million in cash and two notes, totaling $650 thousand, from Noonan Machine Company. The purchaser has requested that the principal amount of the note be reduced to reflect the resale value of certain assets of L.A.B. The Company is enforcing its rights with respect to the note. The net proceeds from the sale were used to pay down all outstanding debt and build working capital.

The sale resulted in a $2.0 million gain, which was recorded in the fourth quarter of fiscal year 1997. In addition, $250 thousand of the proceeds associated with one of the notes was recorded as deferred revenue due to contingencies associated with the realization of this note. This note is still outstanding as of September 30, 1999.

(18) Geographic and Segment Information

The Company sells its products on a worldwide basis with its principal markets listed in the table below where information on export sales is summarized by geographic area for the Company as a whole:

(Dollars in thousands)

Geographic Area	1999	1998	1997
United States	$ 9,576	$ 17,022	$ 17,290
Europe	1,180	1,072	1,223
Japan	787	1,534	1,243
Pacific Rim	760	834	1,901
China	278	302	1,900
Canada	153	228	178
Rest of World	151	36	367
Total Sales	$12,885	$ 21,028	$ 24,102

In 1999, no customers accounted for more than 10% of sales and in 1998, one customer accounted for 11.5% of sales.

The Company operates in two business segments, Alternative Energy Technology and Test and Measurement. The Alternative Energy Technology segment incubates alternative energy technology. The Test and Measurement segment develops, manufactures, markets and services sensing instruments, computer-based balancing systems for aircraft engines, vibration test systems and power conversion products.

The accounting policies of the Alternative Energy Technology and Test and Measurement segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based

on profit or loss from operations before income taxes, accounting changes, non-recurring items and interest income and expense. Inter-segment sales are not significant.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes corporate related items and items like income taxes or unusual items, which are not allocated to reportable segments. In addition, segments noncash items include any depreciation and amortization in reported profit or loss. For the Alternative Energy Technology segment, the information is based on an annual period from October 1 to September 30 derived from Plug Power's unaudited financial statements.

(18) Geographic and Segment Information (continued)

(Dollars in thousands)

1999	Alternative Energy Technology (unaudited)	Test and Measurement	Other	Reconciling Items (unaudited)	Consolidated Totals (unaudited)
Revenues	$ 8,247	$ 12,885	$ -	$ (8,247)	$ 12,885
Segment profit/ (loss)	(27,391)	(1,404)	79	8,028	(10,688)
Equity in Plug Power loss	-	-	-	(9,363)	(9,363)
Total assets	43,547	8,185	14,885	(34,837)	31,780
Investment in Plug Power	-	-	-	8,710	8,710
Capital expenditures	9,247	183	2,555	(9,247)	2,738
Depreciation and amortization	1,165	202	379	(1,165)	581
1998					
Revenues	$ 5,948	$ 21,028	$ -	$ (5,948)	$ 21,028
Segment profit/ (loss)	(8,243)	2,155	(2,665)	4,437	(4,316)
Equity in Plug Power loss	-	-	-	(3,806)	(3,806)
Total assets	8,093	9,424	10,483	(6,872)	21,128
Investment in Plug Power	-	-	-	1,221	1,221
Capital expenditures	1,889	202	2,964	(1,889)	3,166
Depreciation and amortization	418	205	118	(418)	323
1997					
Revenues	$ 242	$ 24,102	$ -	$ (242)	$ 24,102
Segment profit/ (loss)	(4,752)	2,411	2,439	4,422	4,520
Equity in Plug Power loss	-	-	-	(330)	(330)
Total assets	4,979	8,696	5,280	(4,952)	14,003
Investment in Plug Power	-	-	-	27	27
Capital expenditures	133	375	2	(133)	377
Depreciation and amortization	93	206	37	(93)	243

(18) Geographic and Segment Information (continued)

The following table presents the details of "Other" segment profit (loss).

(Dollars in thousands)	1999	1998	1997
Corporate and Other Expenses/(Income):			
Depreciation and amortization	$ 379	$ 118	$ 37
Interest expense	106	102	323
Interest income	(335)	(65)	-
Income tax expense	37	25	143
Other (income)expense, net	(225)	200	1,032
(Income)loss from discontinued operations	(41)	2,285	545
Gain on sale of division	-	-	(2,012)
Gain on extinguishment of debt, net of tax	-	-	(2,507)
Total (income) expense	$ (79)	$ 2,665	$ (2,439)

The reconciling items are the amounts of revenues earned and expenses incurred for corporate operations, which is not included in the segment information.

(19) Extraordinary Item - Extinguishment of Debt

During fiscal 1996, FAC purchased 909,091 shares of the Company's Common Stock from the New York State Superintendent of Insurance as the court-ordered liquidator of United Community Insurance Company ("UCIC"). In connection with this purchase, FAC also acquired certain rights to an obligation ("Term Loan") due from the same finance company ("FCCC") to whom the Company was obligated under a Note Payable, due December 31, 1996.

FCCC was in default of its Term Loan to UCIC. FAC, as the owner of the rights to the Term Loan, filed suit-seeking payment. Collateral for the FCCC Term Loan included the Company's Note Payable to FCCC. FAC exercised its rights to the collateral securing the Term Loan, including the right to obtain payment on the Note Payable directly from the Company. The Company and FAC entered into an agreement dated as of December 27, 1996 under which the Company issued to FAC 1.0 million shares of Common Stock in full satisfaction of the Note Payable and accrued interest.

(19) Extraordinary Item - Extinguishment of Debt (continued)

If FCCC were to seek collection of the Note Payable plus accrued interest from the Company, the Company, based on the opinion of counsel, believes that the outcome of any such action pursued by FCCC against the Company would not have a material adverse impact on the Company's financial position or results of operation.

(20) Comprehensive (Loss) Income

Total comprehensive (loss) income for the years ended September 30 consists of:

(Dollars in Thousands)	1999	1998	1997
Net (loss)income	$(10,688)	$ (4,316)	$ 4,520
Other comprehensive income(loss), before tax:			
Foreign currency translation adjustments	-	8	-
Unrealized loss on available for sale securities	(5)	-	-
Income tax related to items of other comprehensive income(loss)	-	-	-
Total comprehensive (loss)income	$(10,693)	$ (4,308)	$ 4,520

(21) Subsequent Events

On October 21, 1999, the Company created a strategic alliance with SatCon Technology Corporation (SatCon). SatCon acquired Ling Electronics, Inc. and Ling Electronics, Ltd. from the Company and the Company will invest approximately $7 million in SatCon. In consideration for the acquisition of Ling Electronics and the Company's investment, the Company will receive 1,800,000 shares of SatCon's common stock and warrants to purchase an additional 100,000 shares of SatCon's common stock. The Company immediately funded $2.57 million of its investment in SatCon and will make the remaining investment by the end of January 2000. SatCon will also receive warrants to purchase 100,000 shares of the Company's common stock.

The Company immediately issued SatCon 36,000 stock purchase warrants. The warrants are immediately exercisable at $37.66 per share and expire on October 21, 2003. The estimated fair value of these warrants at the date issued was $14.81 per share using a Black Scholes option pricing model and assumptions similar to those used for valuing the Company's stock options.

The Company immediately received 36,000 stock purchase warrants from SatCon. The warrants are immediately exercisable at $8.83 per share and expire on October 21, 2003.

(21) Subsequent Events (continued)

In addition, David Eisenhaure, President and Chief Executive Officer of SatCon Technology Corporation, will become a member of the Board of Directors of the Company and Alan Goldberg, a director of the Company and co-Chief Executive Officer of First Albany Companies Inc. will become a member of SatCon Technology Corporation's Board of Directors. SatCon Technology Corporation has also agreed to appoint an additional member to its Board of Directors based on recommendations by the Company.

SatCon Technology Corporation manufactures and sells power and energy management products for telecommunications, silicon wafer manufacturing, factory automation, aircraft, satellites and automotive applications. SatCon has four operating divisions: Film Microelectronics, Inc. designs and manufactures microelectronic circuits and interconnect products. Magmotor manufactures motors and magnetic suspension systems. Beacon Power manufactures flywheel energy storage devices and the Technology Center is responsible for new technology and product development.

Exhibit 10.32

STOCK PURCHASE AGREEMENT

among

MECHANICAL TECHNOLOGY INCORPORATED,

LING ELECTRONICS, INC.,

LING ELECTRONICS, LTD.

and

SATCON TECHNOLOGY CORPORATION

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STOCK PURCHASE AGREEMENT

Agreement (the "Agreement") made as of the 21st day of October, 1999 by and among SatCon Technology Corporation, a Delaware corporation with its principal office at 161 First Street, Cambridge, Massachusetts 02142 (the "Buyer"), Mechanical Technology Incorporated, a New York corporation with its principal office at 968 Albany-Shaker Road, Latham, New York 12110 (the "Parent"), Ling Electronics, Inc., a California corporation and a wholly-owned subsidiary of the Parent, with its principal office at 4890 East La Palma Avenue, Anaheim, California 92807 (the "Company") and Ling Electronics, Ltd., a United Kingdom corporation and a wholly-owned subsidiary of the Parent with its principal office c/o J.Bignall, 3 De Walden Court, 85 New Cavendish Street, London W1M 7RA (the "U.K. Subsidiary" or the "Subsidiaries").

Preliminary Statement

1.The Buyer desires to purchase, and the Parent desires to sell (i) all of the issued and outstanding shares (collectively, the "Shares") of the common stock, $0.01 par value per share of the Company and (ii) all of the issued and outstanding ordinary shares (the "U.K. Shares") of the U.K. Subsidiary, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Purchase and Sale of the Shares and the U.K. Shares.

1.1 Purchase of the Shares and the U.K. Shares from the Parent. Subject to and upon the terms and conditions of this Agreement, at the closing of the transactions contemplated by this Agreement (the "Closing"), the Parent shall sell, transfer, convey, assign and deliver to the Buyer, and the Buyer shall purchase, acquire and accept from the Parent, all the Shares and the U.K. Shares. At the Closing the Parent shall deliver to the Buyer certificates evidencing the Shares and the U.K. Shares duly endorsed in blank or with stock powers duly executed by the Parent.

1.2 Further Assurances. At any time and from time to time after the Closing, at the Buyer's request and without further consideration, the Parent shall promptly execute and deliver such instruments of sale, transfer, conveyance, assignment and confirmation, and take all such other action as the Buyer may reasonably request, more effectively to transfer, convey and assign to the Buyer, and to confirm the Buyer's title to, all of the Shares and the U.K. Shares owned by the Parent, to put the Buyer in actual possession and operating control of the assets, properties and business of the Company and the U.K. Subsidiary, to assist the Buyer in exercising all rights with respect thereto and to carry out the purpose and intent of this Agreement.

1.3 Purchase Price for the Shares. In full payment for the Shares and the U.K. Shares (collectively, the "Securities"), the Buyer shall pay to the Parent $70,000.00 and shall issue to the Parent a certificate issued in the name of the Parent representing 770,000 shares (the "SatCon Shares") of common stock, $0.01 par value per share, of the Buyer ("Buyer Common Stock").

1.4 Closing. The Closing shall take place at the offices of Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109 at 10:00 a.m., Boston Time, on the date of execution of this Agreement or at such other location as the parties shall mutually agree. The transfer of the Securities by the Parent to the Buyer shall be deemed to occur at 8:00 a.m., Boston Time, on the Closing Date.

2. Representations of the Parent Regarding the Securities.

The Parent represents and warrants to the Buyer as follows: (a) The Parent has good and marketable title to the Securities free and clear of any and all covenants, conditions, restrictions, voting trust arrangements, liens, charges, encumbrances, options and adverse claims or rights whatsoever. The Securities

constitute all of the outstanding securities of the Company and the U.K. Subsidiary.

(b) The Parent has the full right, power and authority to enter into this Agreement and to transfer, convey and sell to the Buyer at the Closing the Securities to be sold by the Parent hereunder and, upon consummation of the purchase contemplated hereby, the Buyer will acquire from the Parent good and marketable title to the Securities free and clear of all covenants, conditions, restrictions, voting trust arrangements, liens, charges, encumbrances, options and adverse claims or rights whatsoever.

(c) The Parent is not a party to, subject to or bound by any agreement or any judgment, order, writ, prohibition, injunction or decree of any court or other

governmental body which would prevent the execution or delivery of this Agreement by the Parent or the transfer, conveyance and sale of the Securities to be sold by the Parent to the Buyer pursuant to the terms hereof.

3. Representations Regarding the Parent, the Company and the U.K. Subsidiary.

The Parent, the Company and the U.K. Subsidiary, jointly and severally, represent and warrant to the Buyer that:

3.1 Organization. Each of the Parent and the Company is a corporation duly organized, validly existing and in good standing under the laws of their respective jurisdictions of incorporation, and has all requisite power and authority (corporate and other) to own its properties, to carry on its business as now being conducted, to execute and deliver this Agreement and the agreements contemplated herein, and to consummate the transactions contemplated hereby and thereby. Each of the Parent and the Company is duly qualified to do business and in good standing in all jurisdictions in which its ownership of property or the character of its business requires such qualification, except where the failure to be so qualified or in good standing, as the case may be, would not, individually or in the aggregate, (x) adversely affect the legality, validity or enforceability of any of this Agreement or any of the material transactions contemplated hereby, (y) have or result in a material adverse effect on the results of operations, assets, or financial condition of the Parent or the Company or (z) impair the Parent's or the Company's ability to perform in all material respects on a timely basis their respective material obligations under this Agreement (any of (x), (y) or (z), being a "Material Adverse Effect"). Certified copies of the Certificate of Incorporation and Bylaws of the Company, as amended to date, have been previously delivered to the Buyer, are complete and correct, and no amendments have been made thereto or have been authorized since the date thereof.

3.2 Capitalization of the Company. The Company's authorized capital stock consists of 5,000,000 shares of Common Stock, $0.01 par value per share, of which Thirty-Two Thousand, Three Hundred and Ninety Eight (32,398) shares are issued and outstanding on the date hereof and held of record and beneficially by the Parent. All such issued and outstanding shares of the Company's common stock have been and on the Closing Date will be duly and validly issued and are, or will be on such date, fully paid and non-assessable. There are not, and on the Closing Date there will not be, outstanding (i) any options, warrants or other rights to purchase from the Company any capital stock of the Company; (ii) any securities convertible into or exchangeable for shares of such stock; (iii) any outstanding debt securities issued or guaranteed by the Company or (iv) any other commitments of any kind for the issuance of additional shares of capital stock or options, warrants or other securities of the Company. No shares of the issued and outstanding shares of Common Stock are held in the treasury of the Company.

3.3 Subsidiaries.

(a)Other than Plug Power, LLC, Turbonetics Energy, Inc. , MTI International, Inc. and the U.K. Subsidiary, the Parent does not own any equity interest in any corporation partnership, joint venture or other entity. Turbonetics Energy, Inc., MTI International, Inc., Power Plug, LLC do not compete with the Company.

(b)Except as set forth in Schedule 3.3(b), the Parent owns of record and beneficially all of the outstanding shares of capital stock of the U.K. Subsidiary free and clear of all covenants, conditions, restrictions, liens, charges and encumbrances.

(c)Except as set forth in Schedule 3.3(c), the U.K. Subsidiary is a corporation duly organized and validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to own its properties and carry on its business as now being conducted. The U.K. Subsidiary is duly qualified to do business and in good standing in all jurisdictions in which its ownership of property or the character of its business requires such qualification except where the failure to be so qualified or in good standing, as the case may be, would not have a Material Adverse Effect. Copies of the charter, bylaws and other governing instruments of The U.K. Subsidiary, each as amended to date, have been previously delivered to the Buyer, are complete and correct, and no amendments have been made thereto or have been authorized since the date of such delivery. The Company does not own any capital stock of or other equity interest in any corporation, partnership or other entity. The shares of capital stock of the U.K. Subsidiary have been duly and validly issued and are fully paid and non-assessable.

(d)The U.K. Subsidiary does not hold shares of its capital stock in its treasury, and there are not, and on the Closing Date there will not be, outstanding any (i) options, warrants or other rights with respect to the capital stock of the U.K. Subsidiary, (ii) any securities convertible into or exchangeable for shares of such stock, or (iii) any other commitments of any kind for the issuance of additional shares of capital stock or options, warrants or other securities of any of them.

(e)As of August 22, 1999, the U.K. Subsidiary had the assets and liabilities set forth on Schedule 3.3(e). Since August 22, 1999, there have been no material changes in the assets or liabilities of the U.K. Subsidiaries.

3.4 Authorization. The execution and delivery by the Company, the U.K. Subsidiary and the Parent of this Agreement and the agreements provided for herein, and the consummation by the Company, the U.K. Subsidiary and the Parent of all transactions contemplated hereunder and thereunder by the Company, the U.K. Subsidiary and the Parent, have been duly authorized by all requisite corporate action. This Agreement has been duly executed by the Company, the U.K. Subsidiary and the Parent. This Agreement and all other agreements and obligations entered into and undertaken in connection with the transactions contemplated hereby to which the Company, the U.K. Subsidiary or the Parent is a party constitute the valid and legally binding obligations of the Company, the U.K. Subsidiary and the Parent, enforceable against them in accordance with their respective terms. The execution, delivery and performance by the Company, the U.K. Subsidiary and the Parent of this Agreement and the agreements provided for herein, and the consummation by the Company, the U.K. Subsidiary and the Parent of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Company, the U.K. Subsidiary or the Parent; (b) violate the provisions of the Certificate of Incorporation or Bylaws of the Company, the U.K. Subsidiary or the Parent; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration under, or cause the creation of any lien, charge or encumbrance upon the properties or assets of the Company, the U.K. Subsidiary or the Parent pursuant to, any indenture, mortgage, deed of trust or other instrument or agreement to which the Company, the U.K. Subsidiary or the Parent is a party or by which the Company, the U.K. Subsidiary or the Parent or any of their respective properties is or may be bound. Schedule 3.4 attached hereto sets forth a true, correct and complete list of all consents and approvals of third parties that are required in connection with the consummation by the

Company, the U.K. Subsidiary and the Parent of the transactions contemplated by this Agreement.

3.5 Financial Statements.

(a)The Parent previously delivered to the Buyer the unaudited consolidated balance sheets of the Company and the U.K. Subsidiary as of September 30, 1996, 1997 and 1998 (the "Fiscal Year Balance Sheets") and the related statements of income of the Company and the U.K. Subsidiary for the fiscal years then ended (collectively, the "Fiscal Year Financial Statements"). The Parent has also previously delivered to the Buyer the unaudited consolidated balance sheets of the Company and the U.K. Subsidiary as of August 22, 1999 (the "Current Balance Sheet") and the related statements of income for the eleven-month period then ended (collectively, the "Current Financial Statements"). The Fiscal Year Financial Statements and, the Current Financial Statements (collectively, the

"Financial Statements") have been prepared in accordance with generally accepted accounting principles applied consistently with past practices and have been certified by the Company's chief financial officer. The date of the August 22, 1999 Fiscal Year Balance Sheet is hereinafter referred to as the "Balance Sheet Date."

(b)The Financial Statements fairly present, as of their respective dates, the financial condition, retained earnings, assets and liabilities of the Company and the U.K. Subsidiary and the results of operations of the Company's and the U.K. Subsidiary's businesses for the periods indicated. With respect to contracts and commitments for the sale of goods or the provision of services by the Company and the U.K. Subsidiary, the Financial Statements contain and reflect adequate reserves, which are consistent with previous reserves taken, for all reasonably anticipated material losses and costs and expenses. The amounts shown as accrued for current and deferred Taxes (other than state and federal income taxes) in the Financial Statements are sufficient for the payment of all accrued and unpaid Taxes (other than state and federal income taxes), interest, penalties, assessments or deficiencies applicable to the Company or any Subsidiary, whether disputed or not, for the applicable period then ended and periods prior thereto.

(c)The book value of inventory reflected on the August 22, 1999 Balance Sheet, as computed on a first-in, first-out basis is true and correct.

3.6 Absence of Undisclosed Liabilities. Except as and to the extent (a) reflected and reserved against in the Current Balance Sheet, (b) set forth on Schedule 3.6 attached hereto, or (c) incurred in the ordinary course of business after the date of the Current Balance Sheet and not material in amount, either individually or in the aggregate, neither the Company nor any of the Subsidiaries has any liability or obligation, secured or unsecured, whether accrued, absolute, contingent, unasserted or otherwise, which is material to the condition (financial or otherwise) of the assets, properties, business or prospects of the Company and the U.K. Subsidiaries taken as a whole. For purposes of this Subsection 3.6, "material" means any amount in excess of $100,000.

3.7 Litigation. Except as set forth on Schedule 3.7 attached hereto (a) there is no action, suit or proceeding to which the Company or any of the Subsidiaries is a party (either as a plaintiff or defendant) pending or threatened before any court or governmental agency, authority, body or arbitrator and to the best knowledge of the Parent, there is no basis for any such action, suit or proceeding; (b) neither the Company nor any of the Subsidiaries, nor any officer, director or employee of any of the foregoing, has been permanently or temporarily enjoined by any order, judgment or decree

of any court or any governmental agency, authority or body from engaging in or continuing any conduct or practice in connection with the business, assets, or properties of the Company or any of the Subsidiaries; and (c) there is not in existence on the date hereof any order, judgment or decree of any court, tribunal or agency enjoining or requiring the Company or any of the Subsidiaries to take any action of any kind with respect to its business, assets or properties.

3.8 Insurance. Schedule 3.8 attached hereto sets forth a true, correct and complete list of all fire, theft, casualty, general liability, workers compensation, business interruption, environmental impairment, product liability, automobile and other insurance policies maintained by the Company, the U.K. Subsidiary or the Parent with respect to the business and the Company or the U.K. Subsidiary and of all life insurance policies maintained on the lives of any of their employees (collectively, the "Insurance Policies"). The Company has previously delivered complete and accurate information to the Buyer on all claims made under such Insurance Policies (other than life insurance policies) since October 1, 1996. A true, correct and complete summary of all Insurance Policies currently in effect has previously been delivered by the Parent or the Company to the Buyer. As of the date hereof and the Closing Date, the Insurance Policies are in full force and effect and are in amounts of a nature which are adequate and customary for the Company's and the Subsidiaries' business. All premiums due on the Insurance Policies or renewals thereof have been paid, if billed, and there is no default under the Insurance Policies. Except as set forth on Schedule 3.8, neither the Company nor any of the Subsidiaries has received any notice or other communication from any issuer of the Insurance Policies since September 30, 1996 canceling or materially amending any of the Insurance Policies, materially increasing any deductibles or retained amounts thereunder, or materially increasing the annual or other premiums payable thereunder, and, to the best knowledge of the Parent, no such

cancellation, amendment or increase of deductibles, retainages or premiums is threatened. Except as set forth on Schedule 3.8, neither the Company nor any of the Subsidiaries has any outstanding claims or any dispute with any insurance carrier regarding claims, settlements or premiums and neither the Company nor any of the Subsidiaries has failed to give any notice or present any claim under any Insurance Policy in due and timely fashion. There are no outstanding requirements or recommendations by any issuer of the Insurance Policies or by any Board of Fire Underwriters or other similar body exercising similar functions or by any governmental authority exercising similar functions which requires or recommends any changes in the conduct of the business of, or any repairs or other work to be done on or with respect to any of the properties or assets of, the Company or any of the Subsidiaries.

3.9 Personal Property. Except as disclosed in Schedule 3.9:

(a) the Company or the U.K. Subsidiary, as the case may be, has good and marketable title to each item of tangible personal property used by the Company in the conduct of the Company's historic operations ("Personal Property") free and clear of all liens, leases, encumbrances, claims under bailment and storage agreements, equities, conditional sales contracts, security interests, charges and restrictions ("Liens"), except for Liens, if any, for personal property taxes not due;

(b) no officer, director, stockholder or employee of the Company or the U.K. Subsidiary, nor any spouse, child or other relative or affiliate thereof, owns directly or indirectly, in whole or in part, any of the Personal Property;

(c) each item of Personal Property not owned by the Company or the U.K. Subsidiary is in such condition that upon the return of such property to its owner in its present condition at the end of the relevant lease term or as otherwise contemplated by the applicable agreement between the Company or the U.K. Subsidiary, as the case may be, and the owner or lessor thereof, the obligations of the Company or the U.K. Subsidiary, as the case may be, to such owner or lessor will be discharged; and

(d) the Company and the U.K. Subsidiary own or otherwise have the right to use all of the Personal Property now used or useful in the operation of their business or the use of which is necessary for or useful in the performance of any material contract, letter of intent or proposal to which any of them is a party.

3.10 Intangible Property. Schedule 3.10 attached hereto sets forth: (i) a true, correct and complete list of, all items of intangible property owned by, or used or useful in connection with the business of, the Company or any of the Subsidiaries, including, but not limited to, trade secrets, know-how, any other confidential information of the Company, United States and foreign patents, trade names, trademarks, trade name and trademark registrations, copyrights and copyright registrations, and applications for any of the foregoing (the "Intangible Property"); and (ii) a true, correct and complete list of all licenses or similar agreements or arrangements to which the Company or the U.K. Subsidiary is a party, either as licensee or licensor, with respect to the Intangible Property. Except as otherwise disclosed in Schedule 3.10:

(a) the Company or the U.K. Subsidiary is the sole and exclusive owner of all right, title and interest in and to the Intangible Property and all designs, and permits, used in connection therewith, free and clear of all liens, security interests, charges, encumbrances, equities or other adverse claims;

(b) the Company or the U.K. Subsidiary has the right and authority to use, and to continue to use after the Closing, the Intangible Property in connection with the conduct of its business in the manner presently conducted, and such use or continuing use does not and, to the best of the Company's knowledge, will not conflict with, infringe upon or violate any rights of any other person, corporation or entity;

(c) none of the Company, the Parent nor the U.K. Subsidiary has received notice of, or to the best of the Parent's knowledge there is no basis for, a pleading or threatened claim, interference action or other judicial or adversarial proceeding against the Company that any of the operations, activities, products, services or publications of the Company or any of its customers or distributors infringes or will infringe any patent, trademark,

trade name, copyright, trade secret or other property right of a third party, or that it is illegally or otherwise using the trade secrets, formulae or property rights of others;

(d) there are no outstanding, nor, to the best of the Company's knowledge, any threatened disputes or other disagreements with respect to any licenses or similar agreements or arrangements described in Schedule 3.10 or with respect to infringement by a third party of any of the Intangible Property;

(e)the Intangible Property owned or licensed by the Company or the relevant Subsidiary is sufficient to conduct the Company's or the U.K. Subsidiary's business as presently conducted;

(f) the Company or the U.K. Subsidiary has taken all steps reasonably necessary to protect its right, title and interest in and to the Intangible Property and the continued use of the Intangible Property;

(g)no officer, director, stockholder or employee of the Company or the U.K. Subsidiary, nor any spouse, child or other relative or affiliate thereof, owns directly or indirectly, in whole or in part, any of the Intangible Property; and

(h) To the best of the Parent's knowledge, no third party is infringing, or will threaten to infringe, upon or otherwise violate any of the Intangible Property in which the Company or the U.K. Subsidiary has ownership rights.

3.11 Real Estate and Leases. Neither the Company nor any Subsidiary owns any real property. Schedule 3.11 attached hereto sets forth (a) a true, correct and complete list as of the date hereof of all leases of real property, identifying separately each ground lease, to which the Company or any of the Subsidiaries is a party (collectively, the "Leases"). True, correct and complete copies of all Leases and all amendments, modifications and supplemental agreements thereto, have previously been delivered by the Parent or the Company to the Buyer. The Leases are in full force and effect, are binding and enforceable against each of the parties thereto in accordance with their respective terms and, except as set forth on Schedule 3.11, have not been modified or amended since the date of delivery to the Buyer. No party to any Lease has sent written notice to the other claiming that such party is in default thereunder and that such default remains uncured. Except as set forth on Schedule 3.11, there has not occurred any event which would constitute a breach of or default in the performance of any covenant, agreement or condition contained in any Lease, nor has there occurred any event which with the passage of time or the giving of notice or both would constitute such a breach or material default. Neither the Company nor any of the Subsidiaries is obligated to pay any leasing or brokerage commission relating to any Lease and, except as set forth on Schedule 3.11, will not have any obligation to pay any leasing or brokerage commission upon the renewal of any Lease. Except as set forth on Schedule 3.11, no construction, alteration or other leasehold improvement work with respect to any of the Leases remains to be paid for or to be performed by the Company or any of the Subsidiaries. Except as set forth on Schedule 3.11, the Financial Statements contain adequate reserves to provide for the restoration of the property subject to the Leases at the end of the respective Lease terms, to the extent required by the Leases.

3.12 Inventory. The inventory owned by the Company and its U.K. Subsidiary consists of items of a quality and quantity which are usable or saleable without discount in the ordinary course of the business conducted by the Company and the Subsidiaries. The value of all items of obsolete materials and of materials of below standard quality have been written down to realizable market value and the values at which such inventory is carried reflect the normal Inventory valuation policy of the Company and the Subsidiaries of stating Inventory at the lower of cost or market value in accordance with generally accepted accounting principles.

3.13 Accounts Receivable and Payable. Schedule 3.13 attached hereto sets forth a true, correct and complete list of the accounts and notes receivable of the Company and the Subsidiaries (the "Account Receivable"), including the aging thereof as of October 19, 1999. All Accounts Receivable of the Company and the U.K. Subsidiary arose out of the sales of inventory or services in the ordinary course of business and are collectible in the face value thereof within 90 days after the date of invoice, except for retainages and balances which are subject to customer acceptance of units, using normal collection procedures, net of the

reserve for doubtful accounts set forth thereon, which reserve is adequate and was calculated in accordance with generally accepted accounting principles consistently applied. Schedule 3.13 attached hereto also sets forth a true, correct and complete list of accounts payable of the Company and the Subsidiaries ("Accounts Payable"), including the aging thereof as of the date hereof. All Accounts Payable arose in the ordinary course of business.

3.14 Tax Matters.

(a)Unless otherwise provided, for purposes of this Agreement, "Taxes" means all taxes, charges, fees, levies or other similar assessments or liabilities, including without limitation income, gross receipts, ad valorem, premium, value- added, excise, real property, personal property, sales, use, transfer, withholding, employment, payroll and franchise taxes imposed by the United States of America or any state, local or foreign government, or any agency thereof, or other political subdivision of the United States or any such government, and any interest, fines, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof.

(b)Unless otherwise provided, for purposes of this Agreement, "Tax Returns" means all reports, returns, declarations, statements or other information required to be supplied to a taxing authority in connection with Taxes.

(c)Except as set forth on Schedule 3.14, since October 1, 1996, each of the Company and the Subsidiaries has filed all material Tax Returns that it was required to file, and all such material Tax Returns were correct and complete in all material respects. Each group of corporations with which the Company or any of the Subsidiaries has filed (or was required to file) consolidated, combined, unitary or similar material Tax Returns (an "Affiliated Group") has filed all material Tax Returns that it was required to file with respect to any period in which the Company or any of the Subsidiaries was a member of such Affiliated Group (an "Affiliated Period"), and all such Tax Returns were correct and complete in all material respects. Each of the Company and the Subsidiaries has paid all Taxes that are shown to be due on any such Tax Returns and subsequent assessment to such Tax Returns that were due and payable and each Affiliated Group has paid all Taxes and subsequent assessments to such Tax Returns that were due and payable with respect to all Affiliated Periods. The unpaid Taxes of the Company and the Subsidiaries for tax periods through the date of the Current Balance Sheet do not exceed the accruals and reserves for Taxes set forth on the Current Balance Sheet (exclusive of any accruals for "deferred taxes" or similar items that reflect timing differences between Tax and financial accounting principles and exclusive of federal and state income taxes that are accrued on the Parent's balance sheet). Since October 1, 1996, all Taxes that the Company or any of the Subsidiaries is or was required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper governmental entity.

(d)The Parent has delivered to the Buyer correct and complete copies of all federal income Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Company or any of the Subsidiaries since September 30, 1996 and materially correct and complete copies of the portion of the federal income Tax Returns, examination reports and statements of deficiency assessed against or agreed to with respect to any Affiliated Group relating to the activities of the Company and the Subsidiaries for all Affiliated Periods since September 30, 1996. The Parent has delivered or made available to the Buyer materially correct and complete copies of all other Tax Returns of the Company and the Subsidiaries request by the Buyer

together with all related examination reports and statements of deficiency for all periods from and after September 30, 1996 and materially correct and complete copies of the portion of all other Tax Returns, examination reports and statements of deficiency assessed against or agreed to with respect to any Affiliated Group relating to the activities of the Company and the Subsidiaries for all Affiliated Periods since September 30, 1996. The Tax Returns of the Company, each of the Subsidiaries, and each Affiliated Group have been audited by the applicable taxing authorities or are closed by the applicable statute of limitations for all taxable years through the taxable year specified on Schedule 3.14 hereto. No examination or audit of any Tax Return of the Company or any of the Subsidiaries or any Affiliated Group with respect to an Affiliated Period by any Governmental Entity is currently in progress or, to the knowledge of the Company and the Subsidiaries and the members of any Affiliated Group, threatened or contemplated and exclusive of federal and state income taxes that are accrued on the Parent's balance sheet. Since October 1,

1996, neither the Company nor any of the Subsidiaries nor the members of any Affiliated Group has been informed by any jurisdiction that the jurisdiction believes that the Company or any of the Subsidiaries or the Affiliated Group was required to file any Tax Return that was not filed.

(e)Neither the Company nor any of the Subsidiaries nor any Affiliated Group has waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a Tax assessment or deficiency.

(f)Neither the Company nor any of the Subsidiaries is a "consenting corporation" within the meaning of Section 341(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and none of the assets of the Company or the Subsidiaries are subject to an election under Section 341(f) of the Code.

(g)Neither the Company nor any of the Subsidiaries has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code.

(h) Other than the Parent's employment agreement with Jim Clemens executed in connection with this Agreement, neither the Company nor any of the Subsidiaries has made any payments, is obligated to make any payments, or is a party to any agreement that could obligate it to make any payments that will be an "excess parachute payment" under Code Section 280G.

(i)Neither the Company nor any of the Subsidiaries has any actual or to the best of the Parent's knowledge, potential liability for any Taxes of any person (other than the Company, the Subsidiaries, and any Affiliated Group) as a transferee or successor, by contract, or otherwise.

(j)None of the assets of the Company or any of the Subsidiaries is property that is required to be treated as being owned by any other person pursuant to the provisions of former Section 168(f)(8) of the Code.

(k)None of the assets of the Company or any of the Subsidiaries is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(l)None of the assets of the Company or any of the Subsidiaries directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code.

(m)Neither the Company nor any of the Subsidiaries has undergone a change in its method of accounting resulting in an adjustment to its taxable income pursuant to Section 481 of the Code.

(n)Neither the Company nor any of the Subsidiaries has ever participated in or cooperated with an international boycott within the meaning of Section 999 of the Code.

(o)Neither the Company nor any of the Subsidiaries is or has ever been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns, other than a group of which only the Company, the Subsidiaries, and any current Affiliated Group are or were members.

(p)Neither the Company nor any Subsidiary is or has been required to make a basis reduction pursuant to Treasury Regulation Section 1.1502-20(b) or Treasury Regulation Section 1.337(d)-2(b).

3.15 Books and Records. The general ledgers and books of account of the Company and the Subsidiaries, all federal, state and local income, franchise, property and other Tax Returns filed by the Company and the Subsidiaries are in all material respects complete and correct and have been maintained in accordance with good business practice and in accordance with all applicable procedures required by laws and regulations.

3.16 Contracts and Commitments.

(a)Schedule 3.16 attached hereto contains a true, complete and correct list and description of the following contracts and agreements, whether written or oral (collectively, the "Contracts"):

(1) all loan agreements, indentures, mortgages and guaranties to which the Company or any of the Subsidiaries is a party or by which the Company or any of

the Subsidiaries or any of their property is bound;

(2) all pledges, conditional sale or title retention agreements, security agreements, equipment obligations, personal property leases and lease purchase agreements to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their property is bound;

(3) all contracts, agreements, commitments, (other than purchase orders) or other understandings or arrangements to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their property is bound which (A) involve payments or receipts by the Company or any of the Subsidiaries of more than $25,000 in the case of any single contract, agreement, commitment, understanding or arrangement under which full performance (including payment) has not been rendered by all parties thereto or (B) which may materially adversely affect the condition (financial or otherwise) or the properties, assets, business or prospects of the Company or any of the Subsidiaries;

(4) all collective bargaining agreements, employment and consulting agreements, executive compensation plans, bonus plans, deferred compensation agreements, pension plans, retirement plans, employee stock option or stock purchase plans and group life, health and accident insurance and other employee benefit plans, agreements, arrangements or commitments to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their property is bound;

(5) all agency, distributor, sales representative, franchise or similar agreements to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their property is bound;

(6) all contracts, agreements or other understandings or arrangements between the Company and any of the Subsidiaries (including, but not limited to, any tax sharing arrangements) or between the Company and the Parent or their affiliates;

(7) all leases, whether operating, capital or otherwise, under which the Company or any of the Subsidiaries is lessor or lessee;

(8) all contracts, agreements and other documents or information relating to past disposal of waste (whether or not hazardous), and sales of steel scrap, prototypes, tools and dies;

(9) all contracts, agreements or other arrangements imposing a non-competition or non-solicitation obligation on the Company or any of its Subsidiaries; and

(10) any other material agreements or contracts (other than purchase orders) entered into by the Company or any of the Subsidiaries.

(b)Except as set forth on Schedule 3.16:

(1)Each Contract is a valid and binding agreement of the Company or the relevant Subsidiary, enforceable against the Company or the relevant Subsidiary in accordance with its terms, and, to the best of the Parent's knowledge, each Contract is a valid and binding agreement of the other parties thereto;

(2)the Company or the relevant Subsidiary has fulfilled all material obligations required pursuant to the Contracts to have been performed by the Company or the relevant Subsidiary, as the case may be, on its part prior to the date hereof, and to the best of the Parent's knowledge it will be able to fulfill, when due, all of its obligations under the Contracts which remain to be performed after the date hereof; the Company's outstanding purchase orders on the Closing Date provide for a number of units to be delivered that are consistent with the Company's historical capacity to produce such number of units within the prescribed contractual period;

(3)the Company or the relevant Subsidiary is not in breach of or default in any material respect under any Contract, and, to the best knowledge of the Parent, no event has occurred which with the passage of time or giving of notice or both would constitute such a default, result in a loss of rights or result in the creation of any lien, charge or encumbrance, thereunder or pursuant thereto;

(4)to the best knowledge of the Parent, there is no existing breach or default by any other party of a material obligation under any Contract, and to the best knowledge of the Parent no event has occurred which with the passage

of time or giving of notice or both would constitute a default by such other party, result in a loss of rights or result in the creation of any lien, charge or encumbrance thereunder or pursuant thereto;

(5)there are not and, since October 1, 1996 have not been, any claims material in amount of a non-routine nature relating to the Company or any Subsidiary by customers of the Company or any of the Subsidiaries under any warranties, whether express or implied;

(6)the Company and the Subsidiaries are not restricted by any Contract from carrying on their business anywhere in the world; and

(7) neither the Company nor any of the Subsidiaries has any written or oral contracts to sell products or perform services which are expected to be performed at, or to result in, a loss.

(c)True, correct and complete (in all material respects) copies of all Contracts have previously been delivered by the Company or the Parent to the Buyer.

3.17 Compliance with Agreements and Laws. The Company and the Subsidiaries each have all licenses, permits and certificates, including environmental, health and safety permits, from federal, state and local authorities the possession of which are material to conduct their respective business and the ownership and operation of their respective assets (collectively, the "Permits"). Schedule 3.17 attached hereto sets forth a true, correct and complete list of all such Permits which are material to the conduct of the Company's business, copies of which have previously been delivered by the Company or the Parent to the Buyer. Neither the Company nor any of the Subsidiaries is in violation in any material respect of any law, regulation or ordinance (including, without limitation, laws, regulations or ordinances relating to building, zoning, environmental protection, occupational, health and safety, disposal of hazardous substances, hazardous waste, land use or similar matters) relating to its properties. The business of the Company and the Subsidiaries as conducted since October 1, 1996, has not violated, and on the date hereof does not violate, in any material respect, any federal, state, local or foreign laws, regulations or orders (including, but not limited to, any of the foregoing relating to employment discrimination, occupational safety and health, environmental protection, hazardous substances, hazardous waste or corrupt practices), the enforcement of which would have a material adverse effect on the results of operations, condition (financial or otherwise), assets, properties business or prospects of the Company or any of the Subsidiaries. Except as set forth on Schedule 3.17, neither the Company nor any of the Subsidiaries has had notice or communication from any federal, state or local governmental or regulatory authority or otherwise since October 1, 1996 of any such violation or noncompliance.

3.18 Employee Relations.

(a)The Company and each of the Subsidiaries is in compliance in all material respects with all federal, state and municipal laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, and is not engaged in any unfair labor practice, and there are no arrears (other than arising out of its normal weekly payroll cycle) in the payment of wages or social security taxes.

(b)Except as set forth on Schedule 3.18 attached hereto:

(1) none of the employees of the Company or the Subsidiaries is represented by any labor union;

(2) there is no unfair labor practice complaint against the Company or any of the Subsidiaries pending before the National Labor Relations Board or any state or local agency;

(3) to the best of the Parent's knowledge, there is no pending labor strike or other material labor trouble affecting the Company or any of the Subsidiaries (including, without limitation, any organizational drive);

(4) there is no material labor grievance pending against the Company or any of the Subsidiaries;

(5) to the best of the Parent's knowledge, there is no pending representation question respecting the employees of the Company or any of the Subsidiaries;

(6) there are no pending arbitration proceedings arising out of or under any collective bargaining agreement to which the Company or any of the Subsidiaries is a party, or to the best knowledge of the Parent, any basis for which a claim may be made under any collective bargaining agreement to which the Company or any of the Subsidiaries is a party;

(7) other then as required under COBRA, neither the Company nor any of the Subsidiaries has any continuing obligation for health, life, medical insurance or other similar fringe benefits to any former employee of the Company or any Subsidiary; and

(8) no employee is entitled to a bonus payment for any period prior to the Closing Date or has any contractual arrangements (whether oral or in writing) relating to severance, or has been promised any stay pay or similar arrangement.

(c)For purposes of this Subsection 3.18, the term "employee" shall be construed to include sales agents and other independent contractors who spend a majority of their working time on the business of the Company or any of the Subsidiaries.

3.19 Employee Benefit Plans.

(a)Employee Plans. Schedule 3.19 attached hereto contains a true, correct and complete list of all pension, benefit, profit sharing, retirement, deferred compensation, welfare, insurance, disability, bonus, vacation pay, severance pay and other similar plans, programs and agreements, whether reduced to writing or not, other than any "multiemployer plan" as such term is defined in Section 4001(a)(3) of ERISA, relating to the Company's employees, or maintained at any time since October 1, 1996 by the Company or by any other member (hereinafter, "Affiliate") of any controlled group of corporations, group of trades or businesses under common control, or affiliated service group (as defined for purposes of Section 414(b), (c) and (m), respectively, of the Internal Revenue Code of 1986, as amended (the "Code")) (the Employee Plans") and, except as set forth on Schedule 3.19 attached hereto, the Company has no obligations, contingent or otherwise, past or present, under applicable law or the terms of any Employee Plan.

(b)Prohibited Transactions. Neither the Company nor any of its Affiliates, directors, officers, employees or agents, or any "party in interest" or "disqualified person," as such terms are defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code has, with respect to any Employee Plan, engaged in or been a party to any nonexempt "prohibited transaction," as such term is defined in Section 4975 of the Code or Section 406 of ERISA, in connection with which, directly or indirectly, the Buyer or any of its Affiliates, directors or employees or any Employee Plan or any related funding medium could be subject to either a penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code.

(c)Compliance. With respect to all Employee Plans, the Company and its Affiliates are in compliance in all material respects with the requirements prescribed by any and all statutes, orders or governmental rules or regulations currently in effect, including, but not limited to, ERISA and the Code, applicable to such Employee Plans. The Company and its Affiliates have in all

material respects performed all obligations required to be performed by them under, and is not in violation in any respect of, and there has been no default or violation by any other party with respect to, any of the Employee Plans. Except as set forth on Schedule 3.19 attached hereto: (i) none of the Employee Plans which are subject to Title IV of ERISA has been or will be terminated in whole or in part within the meaning of ERISA or the Code; (ii) no liability has been incurred to, nor has any event or circumstance occurred, nor will any event or circumstance occur prior to the Closing Date, which could result in such a liability being asserted by, the Pension Benefit Guaranty Corporation ("PBGC") with respect to any Employee Plan (other than the payment of annual premiums under Section 4007 of ERISA or benefits payable in accordance with the terms of such Employee Plan); (iii) no Employee Plan that is subject to Part 3 of Subtitle B of Title I of ERISA or Section 412 of the Code, or both, incurred any "accumulated funding deficiency" (as defined in ERISA), whether or not waived; (iv) neither the Company nor any Affiliate has failed to pay any

amounts due and owing as required by the terms of any Employee Plan; (v) there has been no "reportable event" within the meaning of Section 4043(b)(1)-(9) of ERISA, or any event described in Section 4063(a) of ERISA, with respect to any Employee Plan, other than as disclosed herein or on accompanying schedules; (vi) neither Company nor any Affiliate has failed to make any payment to an Employee Plan required under Section 302 of ERISA nor has any lien ever been imposed under Section 302(f) of ERISA; (vii) neither the Company nor any Affiliate has adopted an amendment to any Employee Plan which requires the provision of security under Section 307 of ERISA, (viii) the PBGC has not instituted any proceedings to terminate an Employee Plan pursuant to Section 4042 of ERISA.

(d)Multiemployer Plans. Schedule 3.19 lists each and every multiemployer plan to which the Company or its Affiliates contribute, are required to contribute at any time since October 1, 1996. No multiemployer plan listed in Schedule 3.14 is in "reorganization" (as defined in Section 4241 of ERISA) or "insolvent" (as defined in Section 4245 of ERISA). Neither the Company nor any Affiliate has withdrawn or is reasonably expected to withdraw from a multiemployer plan in a complete or partial withdrawal which has resulted or will result in "withdrawal liability," as defined for purposes of Part I of Subtitle E of Part IV of ERISA, with respect to any such plan which has not been satisfied in full. The Company and its Affiliates have made all contributions to any such plan as are required through the Closing Date under the terms of any such plans or applicable statutes, regulations, rulings and other applicable law; and no event has occurred, or can occur prior to the Closing Date, which could give rise to any other liability (other than a continuing obligation to contribute to such plan(s) under the terms of any applicable collective bargaining agreements) on the part of the Company or the Buyer, or their Affiliates, officers, employees or directors with respect to such plan(s).

(e)Retiree Benefits. Except as set forth in Schedule 3.19, no Employee Plan provides health or life insurance benefits for retirees. No such plan contains any provisions, and no commitments or agreements exist, which in any way would limit or prohibit the Buyer from amending any such plan to reduce or eliminate such retiree benefits.

(f)Copies of Employee Plans and Related Documents. The Company has previously delivered to the Buyer true, correct and complete copies of all Employee Plans which have been reduced to writing and written descriptions of all Employee Plans which have not been reduced to writing, and all agreements, including trust agreements and insurance contracts, related to such Employee Plans, and the Summary Plan Description and all modifications thereto for each Employee Plan communicated to employees. The Company does not have and is not

required to contribute to an Employee Plan that is a "defined benefit plan," as such term is defined in Section 3(35) of ERISA (the "Defined Benefit Plans").

(g)Qualifications. Each Employee Plan intended to qualify under Section 401(a) of the Code has been determined by the Internal Revenue Service to so qualify, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501(a). Each Employee Plan which is a funded welfare benefit plan intended to be exempt from tax under the provisions of Section 501(c)(9) of the Code has been determined by the Internal Revenue Service to be so exempt. Copies of all determination letters with respect to each such Employee Plan have been previously delivered by the Company to the Buyer, and nothing has since occurred, or will occur prior to the Closing Date, which might cause the loss of such qualification or exemption, no such Employee Plan has been operated in a manner which would cause it to be disqualified in operation, and all such Employee Plans have been administered in compliance with and consistent with all applicable requirements of the Code and ERISA, including, without limitation, all reporting, notice, and disclosure requirements.

(h)Funding Status, Etc.

(1) Except as set forth on Schedule 3.19, neither the Company nor any corporation or trade or business (whether or not incorporated) which would be treated as a member of the controlled group of the Company under Section 4001(a)(14) of ERISA would be liable for (A) any amount pursuant to Section 4062, 4063, 4064, 4068 or 4069 of ERISA if any of the Employee Plans which are subject to Title IV of ERISA were to terminate or (B) any amount pursuant to Section 4201 of ERISA if a complete or partial withdrawal from any multiemployer plan listed on Schedule 3.19 occurred before the Closing. Except as set forth on Schedule 3.19, all Employee Plans which are subject to Title IV

of ERISA have no unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA. There is no unpaid contribution due with respect to the plan year of any such Defined Benefit Plan ended prior to the Closing Date, as required under the minimum funding requirements of Section 412 of ERISA.

(2) With respect to each Employee Plan which is a qualified defined contribution pension, profit-sharing or stock bonus plan, as defined in ERISA, all employer contributions accrued for plan years ending prior to the Closing Date under the Plan terms and applicable law have been made by the Company.

(3) All premiums or other payments required by the terms of any group or individual insurance policies and programs maintained by the Company and covering any present or former employees of the Company with respect to all periods up to and including the Closing Date have been fully paid for the length of the obligation.

(i)Claims and Litigation. Except as set forth on Schedule 3.19, to the best of the Company's knowledge, there are no threatened or pending claims, suits or other proceedings by present or former employees of the Company or its affiliates, plan participants, beneficiaries or spouses of any of the above, the Internal Revenue Service, the PBGC, or any other person or entity involving any Employee Plan including claims against the assets of any trust, involving any Employee Plan, or any rights or benefits thereunder, other than ordinary and usual claims for benefits by participants or beneficiaries including claims pursuant to domestic relations orders.

(j)No Implied Rights. Nothing expressed or implied herein shall confer upon any past or present employee of the Company, his or her representatives, beneficiaries, successors and assigns, nor upon any collective bargaining

agent, any rights or remedies of any nature, including, without limitation, any rights to employment or continued employment with the Company, the Buyer, or any successor or affiliate.

(k)Liabilities. Except as heretofore accrued on the Current Financial Statements and except with respect to the period between August 22, 1999 and the Closing Date, there are no liabilities with respect to any Employee Plan which liability relates to any period prior to the Closing Date, including, without limitation, any taxes, accrued vacation or sick pay (whether or not vested), accrued vacation, sick and personal leaves, employee policies, employee benefit claims or liability to the Pension Benefit Guaranty Corporation. The Company does not have a policy or any contractual obligation to pay severance pay.

3.20 Environmental Matters.

(a)Hazardous Materials have not at any time been generated, used, treated or stored on any property, plants or other facility now or formerly owned, leased, or operated by the Company or any Subsidiary or their predecessors, in violation in any material respect of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, and none of the Company or any of its Subsidiaries or their predecessors have received any notice of any such violation with respect to Hazardous Materials.

(b)There has been no spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto any property now owned or leased by the Company or any of its Subsidiaries or their predecessors, or into the environment surrounding any such property, of Hazardous Materials, other than those releases permissible under applicable environmental laws.

(c)The Company or any of its Subsidiaries or their predecessors, their operations and any property owned, leased or operated by the Company, the Subsidiaries or their predecessors are in compliance in all material respects with all applicable Environmental Laws and the requirements of any permits issued under such laws.

(d)There are no past, pending or, to the best knowledge of the Parent, threatened Environmental Claims against the Company or any of the Subsidiaries or their predecessors, or which involves or relates to any property now or previously owned, leased or operated by the Company or any of the Subsidiaries, or their predecessors.

(e)There is no condition or occurrence on any property now or previously owned, leased or operated by the Company, the Subsidiaries, or their predecessors or any property adjoining or in the vicinity of any such property that to the best knowledge of the Parent could reasonably be anticipated (i) to form the basis of an Environmental Claim against the Company or any of the Subsidiaries or their predecessors or (ii) to cause any property of the Company, the Subsidiaries or their predecessors, to be subject to any restrictions on the ownership, occupancy, use or transferability of such property under any Environmental Law.

(f)Schedule 3.20 is a list of all documents (whether in hard copy or electronic form) that contain any environmental reports, investigations and audits relating to premises currently or previously owned, leased or operated by the Company or any Subsidiary or other predecessors (whether conducted by or

on behalf of the Company or a Subsidiary or a third party, and whether done at the initiative of the Company or a Subsidiary or directed by a Governmental Entity or other third party) which were issued or conducted during the past five years and which the Company has possession of or access to. A complete and accurate copy of each such document has been provided to the Buyer.

(g)For purposes of this Agreement, "Hazardous Materials" shall refer to (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance exposure to which is prohibited, limited or regulated by any governmental authority; "Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health, safety or Hazardous Materials, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") 42 U.S.C. 9601 et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. 2601 et seq.; the Clean Air Act, 42 U.S.C. 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. 3808 et seq.; and their counterparts under any state or local laws; "Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any such Law (hereafter "Claims"), including without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, fines or penalties pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

3.21 Absence of Certain Changes or Events.

(a)Except as set forth on Schedule 3.21 attached hereto, since August 22, 1999, neither the Company nor any of the Subsidiaries has entered into any transaction which is not in the usual and ordinary course of business, and, without limiting the generality of the foregoing, neither the Company nor any of the Subsidiaries has:

(1) incurred any material obligation or liability for borrowed money;

(2) discharged or satisfied any Lien or paid any obligation or liability other than current liabilities reflected in the Current Balance Sheet;

(3) mortgaged, pledged or subjected to Lien any of their respective properties or assets;

(4) sold or purchased, assigned or transferred any of its tangible assets or cancelled any debts or claims, except for inventory sold and raw materials purchased in the ordinary course of business;

(5) made any material amendment to or termination of any Contract or done any act or omitted to do any act which would cause the breach of any Contract;

(6) except for the Starsine Unit shipped in August which was lost and with respect to which an insurance claim has been made, suffered any losses of personal or real property, whether insured or uninsured, and whether or not in the control of the Company or the relevant Subsidiary, as the case may be, in excess of $75,000 in the aggregate, or waived any rights of any value;

(7) authorized any declaration or payment of dividends by the Company or any Subsidiary which is not wholly owned by the Company, or paid any such dividends, or authorized any transfer of assets of any kind whatsoever by the Company or any such Subsidiary to any of their respective stockholders with respect to any shares of their capital stock;

(8) authorized or issued recall notices for any of its products or initiated any safety investigations;

(9) received notice of any litigation, warranty claim or products liability claims;

(10) made any material change in the terms, status or funding condition of any Employee Plan, as defined in Subsection 3.19 hereof;

(11) other than has previously been disclosed in writing to the Buyer; engaged any new employee for a salary in excess of $50,000 per annum;

(12) other than the release of incentive compensation to the Company's sales force, made, or committed to make, any changes in the compensation payable to any officer, director, employee or agent of the Company or any Subsidiary, or any bonus payment or similar arrangements made to or with any of such officers, directors, employees or agents;

(13) incurred any capital expenditure in excess of $50,000 in any instance or $100,000 in the aggregate;

(14) made any material alteration in the manner of keeping the books, accounts or records of the Company or any Subsidiary, or in the accounting practices therein reflected; or

(b)Except as set forth on Schedule 3.21 or disclosed to the Buyer in writing prior to the Closing, since September 30, 1998, neither the Company nor any Subsidiary has suffered any material adverse change in the consolidated results of operations, condition (financial or otherwise), assets, liabilities (whether absolute, accrued, contingent or otherwise), business or prospects of the Company and the Subsidiaries taken as a whole.

(c) To the best of the Parent's knowledge, there is no existing or threatened occurrence, event or development which, as far as can be reasonably foreseen, could have a material adverse effect on the business, properties, assets, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole.

3.22 Suppliers. Schedule 3.22 attached hereto sets forth a true, correct and complete list of the present sole source suppliers of significant goods or services, other than utilities, for any product with respect to which practical alternative sources of supply are not available on comparable terms and conditions, indicating the contractual arrangements for continued supply from each such supplier. Except as set forth on Schedule 3.22, (a) the Company and each of the Subsidiaries has good relations with all of its sole source suppliers, and (b) neither the Company nor any of the Subsidiaries is more than 60 days in arrears in any trade accounts payable or other payments owing to any supplier, except for amounts which the Company is disputing in good faith.

3.23 Warranty and Product Liability Claims. Other than as set forth on Schedule 3.23 attached hereto neither the Company nor the U.K. Subsidiary has suffered any nor has any outstanding warranty and product liability claims against the Company or any of the Subsidiaries from October 1, 1997 through the date hereof

in excess of $10,000 per occurrence or $100,000 on the aggregate for such period.

3.24 Prepayments and Deposits. Neither the Company nor the U.K. Subsidiary has received any prepayments and deposits, from customers for products to be shipped, or services to be performed, after the Closing Date.

3.25 Indebtedness to and from Officers, Directors and Parent. Except as set forth on Schedule 3.25 attached hereto and except for intercompany indebtedness payable among the Company and any Subsidiary or among the Subsidiaries, neither the Company nor any of the Subsidiaries is indebted, directly or indirectly, to any person who is an officer, director or stockholder of any of the foregoing entities or any affiliate of any such person in any amount whatsoever other than for salaries for services rendered or reimbursable business expenses, all of which have been reflected on the Current Balance Sheet, and no such officer, director, stockholder or affiliate is indebted to the Company or any of the Subsidiaries except for advances made to employees of the Company or any of the Subsidiaries in the ordinary course of business to meet reimbursable business expenses anticipated to be incurred by such obligor. The total intercompany indebtedness on the Closing Date (approximately $7,000,000) will be contributed to the equity of the Company prior to the Closing.

3.26 Banking Facilities. Schedule 3.26 attached hereto sets forth a true, correct and complete list of:

(a)each bank, savings and loan or similar financial institution in which the Company or any of the Subsidiaries has an account or safety deposit box and the numbers of the accounts or safety deposit boxes maintained by the Company or any of the Subsidiaries thereat; and

(b)the names of all persons authorized to draw on each such account or to have access to any such safety deposit box facility, together with a description of the authority (and conditions thereof, if any) of each such person with respect thereto.

3.27 Powers of Attorney and Suretyships. Except as set forth on Schedule 3.27 attached hereto, neither the Company nor any of the Subsidiaries has any general or special powers of attorney outstanding (whether as grantor or grantee thereof) or has any obligation or liability (whether actual, accrued, accruing, continent or otherwise) as guarantor, surety, co-signer, endorser, co-maker, indemnitor or otherwise in respect of the obligation of any person, corporation, partnership, joint venture, association, organization or other entity, except as endorser or maker of checks or letters of credit, respectively, endorsed or made in the ordinary course of business.

3.28 Conflicts of Interest. Except as set forth on Schedule 3.28 attached hereto and except for the existence of transactions for the supply of goods or services between the Buyer and affiliates of the Parent, neither the Parent nor any officer or director of the Company or any Subsidiary nor, to the best knowledge of the Parent, any affiliate of any such person, now has or within the last three (3) years had, either directly or indirectly:

(a)an equity or debt interest in any corporation, partnership, joint venture, association, organization or other person or entity which furnishes or sells or during such period furnished or sold services or products to the Company or any of the Subsidiaries, or purchases or during such period purchased from the Company or any of the Subsidiaries any goods or services, or otherwise does nor during such period did business with the Company or any of the Subsidiaries; or

(b)a beneficial interest in any contract, commitment or agreement to which the Company or any of the Subsidiaries is or was a party or under which any of them is or was obligated or bound or to which any of their respective properties may be or may have been subject, other than stock options and other contracts, commitments or agreements between the Company or any of the Subsidiaries and such persons in their capacities as employees, officers or directors of the Company or such Subsidiary.

3.29 Regulatory Approvals. All consents, approvals, authorizations or other requirements prescribed by any law, rule or regulation which must be obtained or satisfied by the Company or any of the Subsidiaries and which are necessary for the execution and delivery by the Parent and the Company of this Agreement or any documents to be executed and delivered by the Parent or the Company in connection herewith are set forth on Schedule 3.29 attached hereto and have been, or prior to the Closing Date will be, obtained and satisfied.

3.30 Year 2000 Compliance.

(a)The Company has conducted "year 2000" audits with respect to (i) all of the Company's internal systems that are material to the business or operations of the Company, including, without limitation, computer hardware systems, software applications, firmware, equipment containing embedded microchips and other embedded systems ("Internal Systems") and (ii) all of the software, hardware, firmware and other technology ("Products") which constitute part of the products and services manufactured, marketed or sold by the Company or licensed by the Company to third parties. The Company has obtained "year 2000" certifications with respect to all third-party systems that are material to the business or operations of the Company, including without limitation systems belonging to the Company's suppliers, service providers and customers. The Company has furnished to the Buyer true and correct copies of all "year 2000" audits, certifications, reports and other similar documents that have been prepared or performed by or on behalf of the Company or any third party with respect to the Company's business or operations.

(b)The Company has developed a remediation plan reasonably designed to cause all of its Internal Systems and Products to be Year 2000 Compliant, and to have such compliance tested prior to December 1999 (the "Year 2000 Program"). A complete and accurate copy of the Year 2000 Program has previously been provided to the Buyer. Except as set forth on Schedule 3.30, the Company is on schedule and within budget in implementing the Year 2000 Program and has no reason to believe that the remainder of the year 2000 Program can not be implemented and tested prior to December 1999 with no more than the budgeted expenditures.

(c) For purposes of this Agreement, "Year 2000 Compliant" means that the applicable system or item:

(1) will accurately receive, record, store, provide, recognize and process all date and time data from, during, into and between the twentieth and twenty-first centuries, the years 1999 and 2000 and all leap years;

(2) will accurately perform all date-dependent calculations and operations (including, without limitation, mathematical operations, sorting, comparing and reporting) from, during, into and between the twentieth and twenty-first centuries, the years 1999 and 2000 and all leap years; and

(3) will not malfunction, cease to function or provide invalid or incorrect results as a result of (x) the change of years from 1999 to 2000 or from 2000 to 2001, (y) date data, including date data which represents or references different centuries, different dates during 1999 and 2000, or more than one century or (z) the occurrence of any particular date;

in each case without human intervention, other than original data entry or revisions to computer code that can be implemented at reasonable cost and with reasonable effort; provided, in each case, that all applications, hardware and other systems used in conjunction with such system or item which are not owned or licensed by the Company correctly exchange date data with or provide data to such system or item.

(d)Except as set forth on Schedule 3.30, the Company has not provided any guarantee or warranty for any product sold or licensed, or service provided, by the Company to the effect that such product or service (i) complies with or accounts for the fact of the arrival of the year 2000, (ii) will not be adversely affected with respect to functionality, interoperability, performance or volume capacity (including without limitation the processing and reporting of data) by virtue of the arrival of the year 2000 or (iii) is otherwise Year 2000 Compliant.

3.31 Disclosure. The information concerning the Company and the Subsidiaries set forth in this Agreement, the Exhibits and Schedules attached hereto and any document, statement or certificate furnished or to be furnished to the Buyer pursuant hereto, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or therein or necessary to make the statements and facts contained herein or therein, in light of the circumstances in which they are made, not false and misleading. The Parent and the Company have disclosed to the Buyer all material facts pertaining to the transactions contemplated by this Agreement and the Exhibits hereto. Copies of all documents heretofore or hereafter delivered or made available to the Buyer pursuant to this Agreement were or will be complete

and accurate copies of such documents.

3.32 Broker's Fees. Except for the fee payable by the Parent to FAC Equities, no fees or commissions or similar payments with respect to the transactions contemplated by this Agreement have been paid or will be payable by the Parent, the Company or any Subsidiary to any broker, financial advisor, finder, investment banker, or bank. The Buyer shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 3.32 that may be due in connection with the transactions contemplated by this Agreement.

3.33 Securities Representations.

(a) Parent is an "accredited investor" within the meaning of the Securities Act. Parent has knowledge and experience in financial and business matters such that it is capable of evaluating the merits and risks of the investment in the SatCon Shares and is financially able to undertake the risks involved in such an investment. Parent understands that (i) the SatCon Shares have not been registered under the Securities Act, or any state securities law by reason for their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) and Regulation D promulgated thereunder and an exemption under the applicable state securities law and (ii) such SatCon Shares must be held indefinitely unless a registration statement covering the resale of such shares is effective under the Securities Act and such state law or unless an exemption from registration under the Securities Act and such state law is available.

(b) Parent agrees that SatCon Shares shall not be sold or transferred unless either (i) they first shall have been registered under the Securities Act, or (ii) the Buyer first shall have been furnished with an opinion of legal counsel, reasonably satisfactory to the Parent and which may be counsel to the Buyer, to the effect that such sale or transfer is exempt from the registration requirements of the Securities Act. The SatCon Shares may be pledged and transferred to Key Bank, N.A. in connection with the Parent's credit facility. Each certificate representing SatCon Shares shall bear a legend substantially in the following form:

"The securities represented by this certificate
have not been registered under the Securities Act
of 1922, as amended, and may not be offered, sold
or otherwise transferred, pledged or hypothecated
without the consent of SatCon Technology Corporation
and unless and until such securites are registered
under such Act or an opinion of counsel satisfactory
to SatCon Technology Cororation is obtained to the
effect that such registration is not required."

(c) The Buyer has granted the Parent and its attorneys or other representatives access to all information about the Buyer which Parent has requested; and the Parent has had the opportunity to ask questions of, and receive answers from, representatives of the Buyer to ask questions of, and receive answers from, representatives of the Buyer concerning such information and the Buyer's financial condition and prospects.

(d) The principal office of the Parent and the place at which the decision by the Parent to participate in this Agreement and the transactions contemplated hereby was made is located in New York.

Any information furnished in the schedules of the Parent, Company or U.K. Subsidiary (a "Disclosure Schedule") shall be deemed to modify all of the Parent's representations and warranties. The inclusion of any information in the Disclosure Schedule shall not be deemed to be an admission or acknowledgment, in and of itself, that such information is required by the terms hereof to be disclosed, is material to the Disclosure Schedule, has or would have a material adverse effect. For purposes of this Agreement, the terms "to the best of the Company's knowledge," "to the best of the Parent's knowledge," "known by the Company," "known to the Parent" or other words of similar meaning shall mean the actual knowledge of George McNamee, Cynthia Scheuer or James Clemens without any obligation of investigation, and shall not refer to the knowledge of any other person or entity.

4. Representation and Warranties of the Buyer.

The Buyer represents and warrants to the Parent as follows:

4.1 Organization and Qualification. The Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Except for Beacon Power Corporation or ("Beacon") and as set forth on Schedule 4.1, the Buyer has no subsidiaries (collectively, the "Buyer Subsidiaries"); it being agreed that for purpose of this Agreement Beacon is not a Buyer Subsidiary of the Buyer. Each of the Buyer Subsidiaries (which, except as provided in the prior sentence, for purposes of this Agreement means any entity in which the Buyer, directly or indirectly, owns the majority of such entity's capital stock or holds an equivalent equity or similar interest) is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the full corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Each of the Buyer and the Buyer Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not, individually or in the aggregate, (x) adversely affect the legality, validity or enforceability of any of this Agreement or any of the material transactions contemplated hereby, (y) have or result in a material adverse effect on the results of operations, assets, or financial condition of the Buyer and the Buyer Subsidiaries, taken as a whole or (z) impair the Buyer's ability to perform in all material respects on a timely basis its material obligations under this Agreement (any of (x), (y) or (z), being a "Buyer Material Adverse Effect"). The Buyer has on file with the Securities Exchange Commission true and correct copies of the Buyer's Certificate of Incorporation, as amended and as in effect on the date hereof (the "Certificate of Incorporation"), and the Buyer's Bylaws, as in effect on the date hereof (the "Bylaws").

4.2 Authorization; Enforcement. The Buyer has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement, and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of this Agreement and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action. This Agreement has been duly executed by the Buyer and constitutes the valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application and except that rights to indemnification and contribution may be limited by Federal or state securities laws or public policy relating thereto. Neither the Buyer nor any Buyer Subsidiary is in any material violation of any of the provisions of its respective certificate of incorporation, bylaws or other charter documents such that any right of a holder of the SatCon Shares would be affected.

4.3 Capitalization. As of the date hereof, the authorized capital stock of the Buyer is as set forth in Schedule 4.3. All of such outstanding shares of capital stock, except as disclosed in the Buyer SEC Documents (as defined in Section 4.10) have been, or upon issuance will be, validly authorized and issued, fully paid and nonassessable and were issued in accordance with the

registration or qualification provisions of the Securities Act, or pursuant to valid exemptions therefrom. Except as disclosed in Schedule 4.3 or in the Buyer SEC Documents, (i) no shares of the Buyer's capital stock are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Buyer, nor is any holder of the SatCon Common Stock entitled to preemptive or similar rights arising out of any agreement or understanding with the Buyer by virtue of this Agreement, (ii) there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, or giving any Person (as defined below) any right to subscribe for or acquire, any shares of capital stock of the Buyer or any of its Buyer Subsidiaries, or contracts, commitments, understandings or arrangements by which the Buyer or any of its Buyer Subsidiaries is or may become bound to issue additional shares of capital stock of the Buyer or any of its Buyer Subsidiaries or options, warrants, scrip rights to subscribe to,

calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Buyer or any of its Buyer Subsidiaries, (iii) there are no outstanding debt securities of the Buyer or any of its Buyer Subsidiaries, (iv) there are no agreements or arrangements under which the Buyer or any of its Buyer Subsidiaries is obligated to register the sale of any of their securities under the Securities Act, (v) there are no outstanding securities of the Buyer or any of its Buyer Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Buyer or any of its Buyer Subsidiaries is or may become bound to redeem a security of the Buyer or any of its Buyer Subsidiaries, (vi) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the SatCon Common Stock, (vii) the Buyer does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement and (viii) except for the put rights granted to the holders of the Class D Preferred Stock of Beacon and except as specifically disclosed in the Buyer SEC Documents, to the knowledge of the Buyer no Person (as defined below) or group of related Persons beneficially owns (as determined pursuant to Rule 13d-3 promulgated under the Exchange Act or has the right to acquire by agreement with or by obligation binding upon the Buyer beneficial ownership of in excess of 5% of the Common Stock. "Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability Buyer, joint stock Buyer, government (or an agency or subdivision thereof) or other entity of any kind.

4.4 Authorization and Validity; Issuance of Shares. The SatCon Shares are duly authorized and reserved for issuance and will be validly issued, fully paid and non-assessable, free and clear of all liens, encumbrances and rights of first refusal, other than Liens created by the Parent and will not be subject to any preemptive or similar rights. Assuming the accuracy of the Parent's representation in Section 3.34. The issuance by the Buyer of the SatCon Shares is exempt from registration under the Securities Act.

4.5 No Conflicts. The execution, delivery and performance of this Agreement by the Buyer and the consummation by the Buyer of the transactions contemplated hereby do not and will not (i) conflict with or violate any provision of the Certificate of Incorporation, Bylaws or other organizational documents of the Buyer or any of the Buyer Subsidiaries, (ii) subject to obtaining the consents referred to in Section 4.6, conflict with, or constitute a breach or a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument (evidencing a Buyer or Buyer Subsidiary debt or otherwise) to which the Buyer or any Buyer Subsidiary is a party or by which any property or asset of the

Buyer or any Buyer Subsidiary is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Buyer or any Buyer Subsidiary is subject (including Federal and state securities laws and regulations and the rules and regulations of the principal market or exchange on which the Common Stock is traded or listed) applicable to the Buyer or any of its Buyer Subsidiaries (except for any shareholder approval that may be required pursuant to the rules of the NASDAQ), or by which any material property or asset of the Buyer or any Buyer Subsidiary is bound or affected except, in each such case, for any violation, conflict, default or breach which is not reasonably expected to have a Buyer Material Adverse Effect.

4.6 Consents and Approvals. Except as specifically set forth on Schedule 4.6, neither the Buyer nor any Buyer Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal or state governmental authority, regulatory or self regulatory agency, or other Person in connection with the execution, delivery and performance by the Buyer of this Agreement, other than (i) the application(s) or any letter(s) acceptable to the National Market System of Nasdaq Stock Market ("Nasdaq") for the listing of the SatCon Common Stock with Nasdaq (and with any other national securities exchange or market on which the Common Stock is then listed), (ii) any filings, notices or registrations under applicable state securities laws, (iii) the filing of a form D with the Securities and Exchange Commission (the "Commission"), and (iv) the approval of the Buyer's Board of Directors (together with the consents, waivers, authorizations, orders, notices and filings referred to on Schedule 4.6, the "Buyer Required Approvals").

4.7 Litigation; Proceedings. Except as specifically set forth on Schedule 4.7, there is no action, suit, notice of violation, proceeding or investigation

pending or, to the knowledge of the Buyer or any of its Buyer Subsidiaries, threatened against or affecting the Buyer or any of its Buyer Subsidiaries or any of their respective properties or assets before or by any court, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which (i) adversely affects or challenges the legality, validity or enforceability of any of this Agreement or (ii) could reasonably be expected to, individually or in the aggregate, to have a Buyer Material Adverse Effect.

4.8 No Default or Violation. Except as specifically set forth on Schedule 4.8, neither the Buyer nor any Buyer Subsidiary (i) is in default under or in violation of any indenture, loan or other credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties or assets is bound and which is required to be included as an exhibit to any Buyer SEC Document (as defined in Section 4.10 hereof) or will be required to be included as an exhibit to the Buyer's next filing under either the Securities Act or Exchange Act, (ii) is in violation of any order of any court, arbitrator or governmental body applicable to it, (iii) is in violation of any statute, rule or regulation of any governmental authority to which it is subject, (iv) is in default under or in violation of its Certificate of Incorporation, Bylaws or other organizational documents, respectively, or (v) is in default under or in violation of any of the listing requirements of Nasdaq as in effect on the date hereof and is not aware of any facts which would reasonably lead to delisting or suspension of the Common Stock by Nasdaq in the foreseeable future except, in each such case, for any violation or default which is not reasonably expected to have a Buyer Materially Adverse Effect. The business of the Buyer and its Buyer Subsidiaries is not being conducted, and has not been conducted, in violation of any law, ordinance, rule or regulation of any governmental entity, except where such

violations have not resulted or would not reasonably result, individually or in the aggregate, in a Buyer Material Adverse Effect. Neither the Buyer nor any of its Buyer Subsidiaries is in breach of any agreement where such breach, individually or in the aggregate, would have a Buyer Material Adverse Effect.

4.9 Disclosure; Absence of Certain Changes. None of this Agreement, the Schedules to this Agreement, the Buyer SEC Documents (as amended to date) contained as of their respective dates, any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements made herein and therein, in light of the circumstances under which they were made, not misleading. Except as disclosed on Schedule 4.9 or in Buyer SEC Documents filed on EDGAR through the date hereof, since the filing of the Buyer's quarterly report on Form 10-Q on August 16, 1999, there has been no material adverse change and no material adverse development in the business, properties, operations, financial condition, liabilities or results of operations of the Buyer or the Buyer Subsidiaries. The Buyer has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to any bankruptcy law nor does the Buyer or any of its Buyer Subsidiaries have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings.

4.10 Buyer SEC Documents; Financial Statements. The Common Stock of the Buyer is registered pursuant to Section 12(g) of the Exchange Act. The Buyer has filed during its current fiscal year all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act, including pursuant to Section 13, 14 or 15(d) thereof (the foregoing materials and financial statements and schedules thereto being collectively referred to herein as the "Buyer SEC Documents"), on a timely basis or has received a valid extension of such time of filing and has filed any such Buyer SEC Documents prior to the expiration of any such extension. The Buyer has delivered to each of the Purchasers or its representatives true, complete and accurate copies of the Buyer SEC Documents that were not filed pursuant to EDGAR. As of their respective dates and giving effect to all amendments thereto filed with the Commission, the financial statements of the Buyer included in the Buyer SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Buyer as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, year-end audit adjustments. The Buyer acknowledges that the Parent will be trading in the

securities of the Buyer in reliance on the foregoing representation and warranty.

4.11 Broker's Fees. No fees or commissions or similar payments with respect to the transactions contemplated by this Agreement have been paid or will be payable by the Buyer to any broker, financial advisor, finder, investment banker, or bank. Parent shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 4.11 that may be due in connection with the transactions contemplated by this Agreement.

4.12 Form S-3 Eligibility. The Buyer is, and at the Closing Date will be, eligible to register the SatCon Common Stock for resale with the Commission under Form S-3 (or any successor form) promulgated under the Securities Act.

4.13 Listing and Maintenance Requirements Compliance. The principal market on which the Buyer's Common Stock is currently traded is Nasdaq. Except as disclosed on Schedule 4.13, the Buyer has not in the three years preceding the date hereof received notice (written or oral) from Nasdaq (or any stock exchange, market or trading facility on which the Common Stock is or has been listed (or on which it has been quoted)) to the effect that the Buyer is not in compliance with the listing or maintenance requirements of such market or exchange. The Buyer is not aware of any facts which would reasonably lead to delisting or suspension of the Common Stock by Nasdaq. After giving effect to the transactions contemplated by this Agreement and the Transaction Documents, the Buyer is and will be in compliance with all such maintenance requirements except for any approval required under the NASD rules.

4.14 Intellectual Property Rights. To the best of the knowledge of the Buyer, the Buyer owns or possesses, or can obtain by payment of royalties in amounts which, in the aggregate, will not have a Buyer Material Adverse Effect, all of the patents, trademarks, service marks, trade names, copyrights, proprietary rights, trade secrets, and licenses or rights to the foregoing, necessary for the conduct of the business of the Buyer as currently conducted. To the best of the Buyer's knowledge, the business of the Buyer does not cause the Buyer to infringe or violate any of the patents, trademarks, service marks, trade names, copyrights, licenses or proprietary rights of any person or entity.

4.15 Registration Rights; Rights of Participation. Except as described on Schedule 4.15 hereto, (i) the Buyer has not granted or agreed to grant to any Person any rights (including "piggy-back" registration rights) to have any securities of the Buyer registered with the Commission or any other governmental authority which has not been satisfied and (ii) no Person, including, but not limited to, current or former stockholders of the Buyer, underwriters, brokers or agents, has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement.

4.16 Tax Status; Firpta. Except as set forth on Schedule 4.16, the Buyer and each of the Buyer Subsidiaries has made or filed all federal and state income and all other Tax Returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Buyer and each of its Buyer Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported Taxes) and has paid all Taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith (which are set forth on Schedule 4.16 hereof), and has set aside on it books provisions reasonably adequate for the payment of all Taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid Taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Buyer know of no basis for any such claim. The Buyer is not a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.

4.17 Transactions With Affiliates. Except as set forth on Schedule 4.17, none of the officers, directors, or employees of the Buyer is presently a party to any transaction with the Buyer or any of its Buyer Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Buyer, any corporation, partnership, trust or entity in which

any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

4.18 Material Contracts. Except for this Agreement, the other agreements to be entered into pursuant to the terms of this Agreement, contracts attached as exhibits to the Buyer's SEC Documents and the contracts of the Buyer and its Subsidiaries set forth on Schedule 4.18 attached hereto (collectively, the "Contracts"), neither the Buyer nor its Subsidiaries are a party to or otherwise bound by any written or oral:

(a) written contract for the employment of any officer, employee or other person on a full-time or consulting basis, which is not terminable on thirty (30) days' notice without cost or liability to the Buyer or any Subsidiary, except normal severance arrangements and accrued vacation pay;

(b)bonus, pension, profit-sharing, retirement, hospitalization, insurance, stock purchase, stock option or other plan, contract or understanding pursuant to which benefits are provided to any employee of the Buyer or any Subsidiary (other than group insurance plans applicable to employees generally);

(c)agreement or indenture relating to the borrowing of money or to the mortgaging or pledging of, or otherwise placing a lien or security interest on, any asset of the Buyer or Subsidiary or any agreement or instrument evidencing any guaranty by the Buyer or any Subsidiary of payment or performance by any other Person;

(d)voting trust or agreement, stockholders' agreement, pledge agreement, buy-sell agreement or first refusal or preemptive rights agreement relating to any securities of the Buyer;

(e)agreement or obligation (contingent or otherwise) to issue, sell or otherwise distribute or to repurchase or otherwise acquire or retire any shares of its capital stock or any of its other equity securities;

(f)agreement under which the Buyer or any Subsidiary has granted any person any registration rights, other than this Agreement;

(g)agreement providing for disposition of the business, assets or shares of the Buyer or its Subsidiaries, agreement of merger or consolidation to which the Buyer or any Subsidiary is a party or letter of intent with respect to the foregoing;

(h)agreement or letter of intent (other than the acquisition of Ling Electronics, Inc.) with respect to the acquisition of the business, assets or shares of any other Person.

4.19 ERISA. Set forth in Schedule 4.19 is a list and brief description of each "employee pension benefit plan," as such term is defined in Section 3(2) of ERISA, now or formerly maintained by the Buyer or any of their respective Subsidiaries, to which the Buyer or any Subsidiary is now or will be obligated to contribute. Except as described in Schedule 4.19, no event has occurred, or to the knowledge of the Buyer or its Subsidiaries, is threatened or about to occur, which would constitute a reportable event within the meaning of Section 4043(b) of ERISA, and no notice of termination has been filed by the plan administrator pursuant to Section 4041 of ERISA or issued by the Pension Benefit Guaranty Corporation (the "PBGC") pursuant to Section 4042 of ERISA with respect to any pension benefit plan described in Schedule 4.19 subject to ERISA. To the best knowledge of the Buyer, no prohibited transaction (as defined in Section 4975 of the Code) has occurred with respect to any employee

benefit plan maintained by the Buyer or any of its Subsidiaries. Neither the Buyer nor any of their respective Subsidiaries nor any of their respective ERISA Affiliates is or has been a participant in any multiemployer plan as defined in ERISA. "ERISA Affiliate" means with respect to any Person, any entity that would be considered to be under common control with such person for purposes of Title IV of ERISA.

4.20 Environmental Matters.

(a)Hazardous Materials have not at any time been generated, used, treated or stored on any property, plants or other facilities now owned, leased, or operated by the Buyer or any Subsidiary (or at any property, plant or other facilities ever owned, leased or operated by any predecessor entity at such locations), in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under

any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, and none of the Buyer, its Subsidiaries or its predecessors have received any notice of any such violation with respect to Hazardous Materials except for such violations that the Buyer reasonably does not expect will have a material adverse effect on the Buyer;

(b)There has been no spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto any property now owned or leased by the Buyer, its Subsidiaries or any predecessor (or onto any other property ever owned or leased by it, or by any predecessor entity at any such location), or into the environment surrounding any such property, of Hazardous Materials, other than those releases permissible under such regulations, laws or statutes or allowable under applicable permits and except for such violations that the Buyer reasonably does not expect will have a material adverse effect on the Buyer;

(c)The Buyer, its Subsidiaries or its predecessor, their operations and any property owned by the Buyer, its Subsidiaries or its predecessor are in material compliance with all material Environmental Laws and the material requirements of any permits issued under such laws;

(d) There are no past, pending or, to the best of the Buyer's knowledge, threatened Environmental Claims against the Buyer, its Subsidiaries or its predecessor or any property now or previously owned or leased by the Buyer, its Subsidiaries or its predecessor;

(e) To the best of the Buyer's knowledge, there is no condition or occurrence on any property now or previously owned or leased by the Buyer, its Subsidiaries or its predecessor or any property adjoining or in the vicinity of any such property that could reasonably be anticipated (i) to form the basis of an Environmental Claim against the Buyer, its Subsidiaries or its predecessor or (ii) to cause any property of the Buyer, its Subsidiaries or its predecessor to be subject to any restrictions on the ownership, occupancy, use or transferability of such property under any Environmental Law.

(f)For purposes of this Agreement, "Hazardous Materials" shall refer to (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any

applicable Environmental Law; and (c) any other chemical, material or substance exposure to which is prohibited, limited or regulated by any governmental authority; "Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health, safety or Hazardous Materials, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") 42 U.S.C. 9601 et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. 2601 et seq.; the Clean Air Act, 42 U.S.C. 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. 3808 et seq.; and their counterparts under any state or local laws; "Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any such Law (hereafter "Claims"), including without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, fines or penalties pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

4.21 Year 2000 Matters. The Buyer's statements regarding "Year 2000 Risk" set forth in the SEC Documents are true and correct in all material respects.

"Year 2000 Risk" means the risk that computer applications used by the Buyer and/or its suppliers, vendors and customers may be unable to recognize and perform without error date-sensitive functions involving certain dates prior to and any date after December 31, 1999, including, without limitation, September 9, 1999.

4.22 Private Offering. The Buyer and all Persons acting on its behalf have not made within the six months preceding the Closing Date, directly or indirectly, and will not make, offers or sales of any securities or solicited any offers to buy any security at any time within six months after the Closing Date under circumstances that would require registration of the Securities, the Warrants or the Warrant Shares or the issuance of such securities under the Securities Act.

4.23 Investment Company. The Buyer is not, and is not controlled by or under common control with an affiliate (an "Affiliate") of an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Any information furnished in the schedules of the Buyer (a "Buyer Disclosure Schedule") shall be deemed to modify all of the Buyer's representations and warranties. The inclusion of any information in the Buyer Disclosure Schedule shall not be deemed to be an admission or acknowledgment, in and of itself, that such information is required by the terms hereof to be disclosed, is material to the Buyer, has or would have a Buyer Material Adverse Effect. For purposes of this Agreement, the terms "to the Buyer's knowledge," "known by the Buyer" or other words of similar meaning shall mean the actual knowledge of David Eisenhaure or Michael Turmelle without any obligation of investigation, and shall not refer to the knowledge of any other person or entity.

5. Public Announcements. The parties agree that all general public pronouncements or other general public communications concerning this Agreement and the transaction contemplated hereby, and the timing, manner and content of such disclosures, shall be subject to the mutual agreement of the Parent and the Buyer.

6. Conditions to Obligations of the Buyer.

The obligations of the Buyer under this Agreement are subject to the fulfillment, at the Closing Date, of the following conditions precedent, each of which may be waived in writing in the sole discretion of the Buyer:

6.1 Continued Truth of Representations and Warranties of the Parent and the Company; Compliance with Covenants and Obligations. The representations and warranties of the Parent, the Company and the U.K. Subsidiary shall be true on and as of the Closing Date as though such representations and warranties were made on and as of such date (even though they purport to have been given on a date prior to the Closing Date), except for any changes permitted by the terms hereof or consented to in writing by the Buyer. The Parent, the Company and the U.K. Subsidiary shall have performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by this Agreement to be performed or complied with by each of them prior to or at the Closing Date.

6.2 Performance by the Parent and the Company. At the Closing, the Parent and the Company shall have delivered to the Buyer a certificate signed by the Chief Financial Officer of the Company and the Parent, as the case may be, as to their compliance with Subsection 6.01 hereof.

6.3 Governmental Approvals. All governmental agencies, department, bureaus, commissions and similar bodies, the consent, authorization or approval of which is necessary under any applicable law, rule, order or regulation for the consummation by the Parent, the Company or the Subsidiaries of the transactions contemplated by this Agreement and the operation of the business of the Company and the Subsidiaries by the Buyer shall have consented to, authorized, permitted or approved such transactions.

6.4 Consent of Lenders, Lessors and Other Third Parties. The Parent, the Company and the Subsidiaries shall have received all requisite consents and approvals of all lenders, lessors and other third parties whose consent or approval is required in order for the Parent, the Company and the Subsidiaries to consummate the transactions contemplated by this Agreement, including without limitation, those set forth on Schedules 3.4. In addition, except as set forth on Schedule 6.4, there shall be no Liens on the assets of the Company and the Company shall deliver termination statements in forms acceptable to the

Buyer with respect to each security interest or other encumbrance outstanding in or on the assets of the Company.

6.5 Adverse Proceedings. No action or proceeding by or before any court or other governmental body shall have been instituted or threatened by any governmental body or person whatsoever which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which might affect the right of the Buyer to own the Shares or to own or operate the business of the Company and the Subsidiaries after the Closing.

6.6 Opinion of Counsel. The Buyer shall have received an opinion of Catherine S. Hill PLLC, counsel to the Parent, the Company and the Subsidiaries, dated as

of the Closing Date, in substantially the form attached hereto as Exhibit A, and as to such other matters as may be reasonably requested by the Buyer or its counsel.

6.7 Employment Contracts. On or prior to the Closing Date, the Buyer shall have executed employment contracts and other arrangements with the individuals listed on Schedule 6.7 attached hereto, upon substantially the terms set forth in Schedule 6.7.

6.8 Repayment of Indebtedness. On the Closing Date, the Company and the Subsidiaries shall not have any indebtedness other than accounts payable incurred in the ordinary course of business. In addition, on or before the Closing Date, the Parent shall contribute the intercompany loan balance to the Company of approximately $7,000,000, the amount of intercompany indebtedness to be determined at the Closing.

6.9 Closing Deliveries. The Buyer shall have received at or prior to the Closing such documents, instruments or certificates as the Buyer may reasonably request including, without limitation:

(a)the stock certificates representing the Shares and the U.K. shares duly endorsed in accordance with Subsection 1.01 of this Agreement (together with any lost stock affidavits provided to the Company by the Parent);

(b)a copy of the Election to Reattribute Losses in the form executed by the Company and the Parent;

(c)such certificates of the Company's officers and such other documents evidencing satisfaction of the conditions specified in this Section 6 as the Buyer shall reasonably request;

(d)a certificate of the Parent's officers and such other documents evidencing satisfaction of the conditions specified in this Section 6 as the Buyer shall reasonably request;

(e)a certificate of the Secretary of State of the State of California as to the legal existence and good standing (including tax) of the Company in California;

(f)a certificate of the Secretary of State of the State of New York as to the legal existence and good standing (including tax) of the Parent in New York.

(g)certificates of the Secretary of the Company attesting to the incumbency of the Company's officers, the authenticity of the resolutions authorizing the transactions contemplated by this Agreement, and the authenticity and continuing validity of the charter documents delivered pursuant to Subsection 3.01;

(h)certificates of the Secretary of the Parent attesting to the incumbency of the Parent's officers, the authenticity of the resolutions authorizing the transactions contemplated by this Agreement, and the authenticity and continuing validity of the charter documents delivered pursuant to Subsection 3.01;

(i)Estoppel certificates in the form attached hereto as Exhibit B from each lessor from whom the Company or any Subsidiary leases real or personal property consenting to the acquisition of the Shares by the Buyer and the other transactions contemplated hereby, and representing that there are no

outstanding claims against the Company or such Subsidiary under such Lease; provided, however, that the parties agree that such estoppel certificates may be delivered after Closing but before November 15, 1999, if not reasonably available at the Closing, provided that if not delivered to the Buyer by November 15, 1999, the Parent agrees to indemnify the Buyer against any Losses (as defined in Section 8.1) arising out of the failure of any assertions in the form of estoppel certificate to be complete and correct.

(j)written resignations of all members of the Company's Board of Directors;

(k)the corporate minute books of the Company and all corporate seals; and

(l)a cross receipt executed by the Buyer and the Parent; and

(m)if requested by the Buyer, (i) the Company and the Subsidiaries will delivery to the Buyer and to the Internal Revenue Services notices that the Securities are not a "U.S. real property interest" in accordance with the Treasury Regulations under Section 897 and 1445 of the Code, or (ii) the Parent will delivery to the Buyer certificates of non-foreign status in accordance with the Treasury Regulations under Section 1445 of the Code.

7. Conditions to Obligations of the Parent.

The obligations of the Parent under this Agreement are subject to the fulfillment, at the Closing Date, of the following conditions precedent, each of which may be waived in writing in the sole discretion of the Parent:

7.1 Continued Truth of Representations and Warranties of the Buyer; Compliance with Covenants and Obligations. The representations and warranties of the Buyer in this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes consented to in writing by the Parent. The Buyer shall have performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or at the Closing Date.

7.2 Corporate Proceedings. All corporate and other proceedings required to be taken on the part of the Buyer to authorize or carry out this Agreement shall have been taken.

7.3 Governmental Approvals. All governmental agencies, departments, bureaus, commissions and similar bodies, the consent, authorization or approval of which is necessary under any applicable law, rule, order or regulation for the consummation by the Buyer of the transactions contemplated by this Agreement shall have consented to, authorized, permitted or approved such transactions.

7.4 Consents of Lenders, Lessors and Other Third Parties. The Buyer shall have received all requisite consents and approvals of all lenders, lessors and other third parties whose consent or approval is required in order for the Buyer to consummate the transactions contemplated by this Agreement, including, without limitation, those set forth on Schedule 4.6 attached hereto.

7.5 Adverse Proceedings. No action or proceeding by or before any court or other governmental body shall have been instituted or threatened by any governmental body or person whatsoever which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which might affect the right of the Parent to transfer the Shares.

7.6 Opinion of Counsel. The Parent shall have received an opinion of Hale and Dorr LLP, counsel to the Buyer, dated as of the Closing Date, in substantially the form attached hereto as Exhibit C.

7.7 Closing Deliveries. The Parent shall have received at or prior to the Closing such documents, instruments or certificates as the Buyer may reasonably request including, without limitation:

(a)such certificates of the Buyer's officers and such other documents evidencing satisfaction of the conditions specified in this Section 7 as the Parent shall reasonably request;

(b)a certificate of the Secretary of State of the State of Delaware as to the legal existence and good standing (including tax) of the Buyer in Delaware;

(c)a certificate of the Secretary of the Buyer attesting to the incumbency of the Buyer's officers, the authenticity of the resolutions authorizing the transactions contemplated by this Agreement, and the authenticity and continuing validity of the charter documents and bylaws delivered pursuant to Subsection 7.01;

(d)Issuance of the SatCon Shares; and

(e)a cross receipt executed by the Buyer and the Parent.

7.8 Buyer Registration Rights Agreement. The Buyer and the Parent shall have executed the Registration Rights Agreement, dated as of the Closing Date, in substantially the form attached hereto as Exhibit D, pursuant to which the Buyer shall grant certain registration rights to the Parent with respect to the SatCon Shares.

8. Indemnification.

8.1 By the Parent and the Company. The Parent hereby indemnifies and holds harmless the Buyer from and against all claims, damages, losses, liabilities, costs and expenses (including, without limitation, settlement costs and any legal, accounting or other expenses for investigating or defending any actions or threatened actions) (collectively, the "Losses") in connection with each and all of the following:

(a)any misrepresentation or breach of any representation or warranty made by the Parent or the Company in this Agreement;

(b)any breach of any covenant, agreement or obligation of the Parent or the Company contained in this Agreement or any other agreement, instrument or document contemplated by this Agreement;

(c)any material misrepresentation contained in any certificate or schedule furnished by the Parent or the Company pursuant to this Agreement;

(d)any claim of an employee of the Company or a former employee of the Company for payment pursuant to any bonus, change in control, stay- pay, severance payment, deferred compensation or similar arrangement for or with respect to any period prior to the Closing Date, or for any severance or obligations pursuant to a contractual arrangement in effect at or prior to the Closing; or any claim of an employee or former employee of the Company arising out of the termination of vesting of such employee's options under the Parent's stock option plan;

(e) any failure of the Parent to provide the Buyer good, valid and marketable title to the Shares or Parent Warrant free and clear of all liens, charges, encumbrances, adverse claims, restrictions or other rights; and

(f)any claim by a stockholder or former stockholder of the Company, or any other person or entity, seeking to assert, or based upon: (i) ownership or rights to ownership of any shares of stock of the Company; (ii) any rights of a stockholder of the Company, including any option, preemptive rights or rights to notice or to vote; (iii) any rights under the Certificate of Incorporation or By-laws of the Company; or (iv) any claim that his, her or its shares were wrongfully repurchased by the Company.

8.2 By the Buyer. The Buyer hereby indemnifies and holds harmless the Parent from and against all Losses in connection with each and all of the following:

(a)any misrepresentation or breach of any representation or warranty made by the Buyer in this Agreement;

(b)any breach of any covenant, agreement or obligation of the Buyer contained in this Agreement or any other agreement, instrument or document contemplated by this Agreement;

(c) any claim against the Parent based on the employee's termination from the Company after the Closing Date;

(d)any material misrepresentation contained in any certificate or schedule furnished by the Buyer pursuant to this Agreement; and

(e)any failure of the Buyer to provide the Parent with good, valid and marketable title to the SatCon Shares and the SatCon Warrant

free and clear of all liens, charges, encumbrances, adverse claims or other rights.

8.3 Indemnification Claims.

(a)A party entitled, or seeking to assert rights, to indemnification under this Section 8 (an "Indemnified Party") shall give written notification to the party from whom indemnification is sought (an "Indemnifying Party") of the commencement of any suit or proceeding relating to a third party claim for which indemnification pursuant to this Section 8 may be sought. Such notification shall be given within 20 days after receipt by the Indemnified Party of notice of such suit or proceeding, and shall describe in reasonable detail (to the extent known by the Indemnified Party) the facts constituting the basis for such suit or proceeding and the amount of the claimed damages; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party of any liability or obligation hereunder except to the extent of any damage or liability caused by or arising out of such failure. Within 20 days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such suit or proceeding with counsel reasonably satisfactory to the Indemnified Party; provided that (i) the Indemnifying Party may only assume control of such defense if it acknowledges in writing to the Indemnified Party that any damages, fines, costs or other liabilities that may be assessed against the Indemnified Party in connection with such suit or proceeding constitute Losses for which the Indemnified Party shall be indemnified pursuant to this Section 8 and (ii) the Indemnifying Party may not assume control of the defense of a suit or proceeding involving criminal liability or in which equitable relief is sought against the Indemnified Party. If the Indemnifying Party does not so

assume control of such defense, the Indemnified Party shall control such defense. The party not controlling such defense (the "Non-controlling Party") may participate therein at its own expense; provided that if the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes that the Indemnifying Party and the Indemnified Party have conflicting interests or different defenses available with respect to such suit or proceeding, the reasonable fees and expenses of counsel to the Indemnified Party shall be considered "Losses" for purposes of this Agreement. The party controlling such defense (the "Controlling Party") shall keep the Non-controlling Party advised of the status of such suit or proceeding and the defense thereof and shall consider in good faith recommendations made by the Non-controlling Party with respect thereto. The Non-controlling Party shall furnish the Controlling Party with such information as it may have with respect to such suit or proceeding (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Controlling Party in the defense of such suit or proceeding. The Indemnifying Party shall not agree to any settlement of, or the entry of any judgment arising from, any such suit or proceeding without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld or delayed. The Indemnified Party shall not agree to any settlement of, or the entry of any judgment arising from, any such suit or proceeding without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld or delayed.

(b)In order to seek indemnification under this Section 8, an Indemnified Party shall give written notification (a "Claim Notice") to the Indemnifying Party which contains (i) a description and the amount (the "Claimed Amount") of any Losses incurred or reasonably expected to be incurred by the Indemnified Party, (ii) a statement that the Indemnified Party is entitled to indemnification under this Section 8 for such Losses and a reasonable explanation of the basis therefor, and (iii) a demand for payment (in the manner provided in paragraph (c) below) in the amount of such Losses.

(c)Within 20 days after delivery of a Claim Notice, the Indemnifying Party shall deliver to the Indemnified Party a written response (the "Response") in which the Indemnifying Party shall: (i) agree that the Indemnified Party is entitled to receive all of the Claimed Amount (in which case the Response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Claimed Amount, by check or by wire transfer, (ii) agree that the Indemnified Party is entitled to receive part, but not all, of the Claimed Amount (the "Agreed Amount") (in which case the Response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Agreed Amount, by check or by wire transfer, or (iii) dispute that the Indemnified Party is entitled to receive any of the Claimed Amount. If the Indemnifying

Party in the Response disputes its liability for all or part of the Claimed Amount, the Indemnifying Party and the Indemnified Party shall follow the procedures set forth in Section 8.03(d) for the resolution of such dispute (a "Dispute").

(d)During the 60-day period following the delivery of a Response that reflects a Dispute, the Indemnifying Party and the Indemnified Party shall use good faith efforts to resolve the Dispute. If the Dispute is not resolved within such 60-day period, the Indemnifying Party and the Indemnified Party shall discuss in good faith the submission of the Dispute to a mutually acceptable alternative dispute resolution procedure (which may be non-binding or binding upon the parties, as they agree in advance) (the "ADR Procedure"). In the event the Indemnifying Party and the Indemnified Party agree upon an ADR Procedure, such parties shall, in consultation with the chosen dispute

resolution service (the "ADR Service"), promptly agree upon a format and timetable for the ADR Procedure, agree upon the rules applicable to the ADR Procedure, and promptly undertake the ADR Procedure. The provisions of this Section 8.03(d) shall not obligate the Indemnifying Party and the Indemnified Party to pursue an ADR Procedure or prevent either such party from pursuing the Dispute in a court of competent jurisdiction; provided that, if the Indemnifying Party and the Indemnified Party agree to pursue an ADR Procedure, neither the Indemnifying Party nor the Indemnified Party may commence litigation or seek other remedies with respect to the Dispute prior to the completion of such ADR Procedure. Any ADR Procedure undertaken by the Indemnifying Party and the Indemnified Party shall be considered a compromise negotiation for purposes of federal and state rules of evidence, and all statements, offers, opinions and disclosures (whether written or oral) made in the course of the ADR Procedure by or on behalf of the Indemnifying Party, the Indemnified Party or the ADR Service shall be treated as confidential and, where appropriate, as privileged work product. Such statements, offers, opinions and disclosures shall not be discoverable or admissible for any purposes in any litigation or other proceeding relating to the Dispute (provided that this sentence shall not be construed to exclude from discovery or admission any matter that is otherwise discoverable or admissible). The fees and expenses of any ADR Service used by the Indemnifying Party and the Indemnified Party shall be shared equally by the Indemnifying Party and the Indemnified Party.

(e)Notwithstanding the other provisions of this Section 8.03, if a third party asserts (other than by means of a lawsuit) that an Indemnified Party is liable to such third party for a monetary or other obligation which may constitute or result in Losses for which such Indemnified Party may be entitled to indemnification pursuant to this Section 8, and such Indemnified Party reasonably determines that it has a valid business reason to fulfill such obligation, then (i) such Indemnified Party shall be entitled to satisfy such obligation, without prior notice to or consent from the Indemnifying Party, (ii) such Indemnified Party may subsequently make a claim for indemnification in accordance with the provisions of this Section 8, and (iii) such Indemnified Party shall be reimbursed, in accordance with the provisions of this Section 8, for any such Losses for which it is entitled to indemnification pursuant to this Section 8 (subject to the right of the Indemnifying Party to dispute the Indemnified Party's entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Section 8).

8.4 Survival of Representations and Warranties. All representations and warranties contained in this Agreement, shall (a) survive the Closing and any investigation at any time made by or on behalf of an Indemnified Party and (b) shall expire on the date 18 months following the Closing Date, except that (i) the representations and warranties set forth in Sections 2, 3.1, 3.2, 3.4, 4.1, 4.2, 4.3 and 4.4 shall survive the Closing without limitation, (ii) the representations and warranties set forth in Sections 3.14, 3.19, 4.16 and 4.19 shall survive until 30 days following expiration of all statutes of limitation applicable to the matters referred to therein and (iii) the representation and warranties in Section 3.20 and 4.20 shall survive for two years after the Closing Date. If an Indemnified Party delivers to an Indemnifying Party, before expiration of a representation or warranty, either a Claim Notice based upon a breach of such representation or warranty, or a notice that, as a result a legal proceeding instituted by or written claim made by a third party, the Indemnified Party reasonably expects to incur Losses as a result of a breach of such representation or warranty (an "Expected Claim Notice"), then such representation or warranty shall survive until, but only for purposes of, the resolution of the matter covered by such notice. If the legal proceeding or

written claim with respect to which an Expected Claim Notice has been given is definitively withdrawn or resolved in favor of the Indemnified Party, the Indemnified Party shall promptly so notify the Indemnifying Party.

8.5 Limitations.

(a)Notwithstanding anything to the contrary herein, (i) the aggregate liability of the Parent, on the one hand, and the Buyer, on the other hand, for Losses under this Section 8 shall not exceed $7,000,000, and (ii) the Parent and the Buyer shall be liable under this Section 8 for only that portion of the aggregate Losses for which they or it would otherwise be liable which exceeds $500,000; provided that the limitation set forth in clause (ii) above shall not apply to a claim pursuant to Section 8.1 or 8.2 relating to a breach of the representations and warranties set forth in Section 2, 3.1, 3.2, 3.4, 3.14, 3.19, 3.20, 4.1, 4.2, 4.3, 4.4 , 4.16, 4.19 and 4.20 to a breach of the covenants set forth in Section 10. For purposes solely of this Section 8, all representations and warranties of the Parent and the Company in Sections 2 and 3 (other than Section 3.31 and all representations and warranties of the Buyer in Section 4 hereof (other than Section 4.9) shall be construed as if the term "material"(and variations thereof) were omitted from such representations and warranties. On and after the Closing, the Parent shall have no recourse to, and no right of contribution from the Company or any Subsidiary, with respect to any matter whatsoever, including a breach of any representation, warranty, covenant or agreement set forth in this Agreement.

(b)Except with respect to claims based on fraud, after the Closing, the rights of the Indemnified Parties under this Section 8 shall be the exclusive remedy of the Indemnified Parties with respect to claims resulting from or relating to any misrepresentation, breach of warranty or failure to perform any covenant or agreement contained in this Agreement.

9. Tax Matters.

9.1 Preparation and Filing of Tax Returns.

(a)The Parent shall cause to be prepared and timely filed all Tax Returns of the Company and the Subsidiaries required to be filed prior to the Closing Date when such filings are due (taking into account extensions).

(b)The Buyer shall prepare and timely file or shall cause to be prepared and timely filed all other Tax Returns with respect to the Company and the Subsidiaries or in respect of their businesses, assets or operations.

9.2 Tax Indemnification by the Parent.

(a)In addition to any indemnification provided under Section 8, the Parent shall indemnify the Buyer in respect of, and hold the Buyer harmless, on an after-Tax basis, against (x) Losses resulting from, relating to, or constituting a breach of any representation contained in Section 3.14 hereof, (y) the failure to perform any covenant or agreement set forth in this Section 9, and (z), without duplication, the following Taxes with respect to the Company and the Subsidiaries:

(1) Any and all Taxes due and payable by the Company or any Subsidiaries for any taxable period that ends (or is deemed pursuant to Section 9.3(b) to end) on or before the Closing Date;

(2) Any liability of such entities for Taxes of other entities as transferee or successor or pursuant to any contractual obligation for any period that ends (or is deemed pursuant to Section 9.3(b) to end) on or before the Closing Date; and

(3) Any sales, use, transfer, stamp, conveyance, value added, recording, registration, documentary, filing or other similar Taxes and fees, whether levied on the Buyer, the Parent, the Company, a Subsidiary or any of their respective Affiliates, on account of this Agreement or the transactions contemplated hereby.

(b)The amounts specified in paragraphs (i), (ii), and (iii) shall be reduced (but not below zero) by the amount of any accruals for Tax liabilities on the Current Balance Sheet (exclusive of any accruals for "deferred taxes" or similar items that reflect timing differences between Tax and financial

accounting principles) and the amounts of any estimated Tax payments made on or before the Closing Date.

(c)Amounts payable pursuant to this Section 9.2 shall be computed after taking into account all Tax consequences to the Buyer (or its Affiliates) of (i) the receipt of (or the right to receive) the indemnification payment and (ii) the incurrence of the liability that gave rise to the right to receive the indemnification payment. Thus, it is the intention of the Parties that the Buyer be held harmless with respect to the liability that gave rise to the right to the indemnification payment on an after-Tax basis.

(d)All claims for indemnification pursuant to this Section 9 shall be made in accordance with Section 8 hereof.

9.3 Allocation of Certain Taxes.

(a)The Buyer and the Parent agree that if the Company or any Subsidiary is permitted but not required under applicable foreign, state or local Tax laws to treat the Closing Date as the last day of a taxable period, the Buyer and the Parent shall treat such day as the last day of a taxable period.

(b)Any Taxes for a taxable period beginning before the Closing Date and ending after the Closing Date with respect to the Company and/or the Subsidiaries shall be apportioned for purposes of Section 9.2 between the portion of the period ending on the Closing Date and the portion of the period commencing on the day immediately following the Closing Date based on the actual operations of the Company and/or the Subsidiaries, as the case may be, during such portions of the periods, and each such portion of such period shall be deemed to be a taxable period (whether or not it is in fact a taxable period).

9.4 Cooperation on Tax Matters.

(a)The Buyer and the Parent and their respective Affiliates shall cooperate in the preparation of all Tax Returns for any Tax periods for which one party could reasonably require the assistance of the other party in obtaining any necessary information. Such cooperation shall include, but not be limited to, furnishing prior years' Tax Returns or return preparation packages illustrating previous reporting practices or containing historical information relevant to the preparation of such Tax Returns, and furnishing such other information within such party's possession requested by the party filing such Tax Returns as is relevant to their preparation. Such cooperation and information also shall include without limitation provision of powers of attorney for the purpose of signing Tax Returns and defending audits, promptly

forwarding copies of appropriate notices and forms or other communications received from or sent to any taxing authority which relate to the Company or the Subsidiaries, and providing copies of all relevant Tax Returns, together with accompanying schedules and related workpapers, documents relating to rulings or other determinations by any taxing authority and records concerning the ownership and tax basis of property, which the requested party may possess.

(b)If the Buyer or any of the Company and the Subsidiaries (as the case may be) on the one hand, or the Parent on the other, fails to provide any information requested by the other party within a reasonable period, or otherwise fails to do any act required of it under this Section 9.5, then the party failing to provide the information or do such act shall be obligated, notwithstanding any other provision of this Agreement, to indemnify the party requesting the information or act and shall so indemnify the requesting party and hold such party harmless from and against any and all costs, claims or damages, including, without limitation, all Taxes or deficiencies thereof, payable as a result of such failure. Notwithstanding the foregoing, the party that failed to deliver the information or do the act requested shall in no event be obligated to make any payments pursuant to this Section 7.5(b) if such party used all reasonable commercial efforts to provide the requested information or perform the requested act.

9.5 Termination of Tax-Sharing Agreements. All Tax-sharing agreements or similar arrangements with respect to or involving the Company and the Subsidiaries shall be terminated prior to the Closing Date and, after the Closing Date, the Company and the Subsidiaries shall not be bound thereby or have any liability thereunder for amounts due in respect of periods ending on or before the Closing Date.

9.6 Certain Tax Elections. The Parent shall not elect, cause to be elected, or

participate in any election pursuant to Treasury Regulation Section 1.1502-76(b)(2) (or any comparable provisions of foreign or state law) to allocate items of income and expense of the Company and the Subsidiaries between the taxable year of the Parent ending on the Closing Date and its taxable year commencing on the day after the Closing Date on a proportionate method based on the number of days contained in each such taxable year. The Buyer shall not elect, cause to be elected, or participate in any election pursuant to Section 338(h)(10) or 338(g) with respect to the transactions contemplated herein. The Buyer shall cooperate with the Parent in reallocation of the Company and the Subsidiary Net Operating Losses.

10. Post-Closing Agreements.

The Parent and the Buyer agree that from and after the Closing Date:

10.1 Proprietary Information.

(a) The Parent and each of its affiliates (as such term is defined in the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder) (individually, an "Affiliate" and collectively "Affiliates") shall hold in confidence and shall use their best efforts to have all officers, directors and personnel who continue after the Closing to be employed by the Parent or any Affiliate thereof to hold in confidence all knowledge and information of a secret or confidential nature with respect to the business of the Company and the Subsidiaries and not to disclose, publish or make use of the same without the consent of the Buyer, except to the extent that such information shall have become public knowledge other than by breach of this Agreement by the Parent or pursuant to subpoena or court order.

(b) If (i) the employment of an officer, director or other employee of the Parent or any Affiliate thereof, to whom secret or confidential knowledge or information concerning the business of the Company or the Subsidiaries has been disclosed, is terminated and (ii) such individual is subject to an obligation to maintain such knowledge or information in confidence after such termination, the Parent shall, upon request by the Buyer, take all reasonable steps at their expense to enforce such confidentiality obligation in the event of an actual or threatened breach thereof.

(c) Parent agrees that the remedy at law for any breach of this Subsection 10.1 would be inadequate and that the Buyer shall be entitled to injunctive relief in addition to any other remedy it may have upon breach of any provision of this Subsection 10.1.

10.2 No Solicitation or Hiring of Former Employees. Except as provided by law, for a period of three years after the Closing Date and except that the Parent may employ James Clemens on a part time basis until September 30, 2003, provided that such employment date not interfere with Mr. Clemens obligation to the Buyer, neither Parent nor any Affiliate thereof (including the Parent) shall (a) solicit any person who was an employee of the Parent or any of the Subsidiaries on the date hereof or the Closing Date to terminate his employment with the Buyer (or the Company or any of the Subsidiaries, as the case may be) or to become an employee of the Parent or Affiliate, or (b) hire any person who was such an employee on the date hereof or on the Closing Date.

10.3 Non-Competition Agreement.

(a) For a period of five years after the Closing Date, neither Parent nor any Subsidiary thereof shall: (i) develop, manufacture, market or sell any product which competes with any existing or proposed product manufactured by either the Company or any of the Subsidiaries on or prior to the Closing Date, or (ii) engage in any business competitive with the business of the Company or any of the Subsidiaries as conducted on the date hereof or on the Closing Date, in the United States or any other country in which the Company or any of the Subsidiaries conducted its business during the two years prior to the Closing Date.

(b) The parties hereto agree that the duration and geographic scope of the non-competition provision set forth in this Subsection 10.3 are reasonable. In the event that any court of competent jurisdiction determines that the duration or the geographic scope, or both, are unreasonable and that such provision is to that extent unenforceable, the parties hereto agree that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The parties intend that this non-competition provision shall be deemed to be a series of separate

covenants, one for each and every county of each and every state of the United States of America and each and every political subdivision of each and every country outside the United States of America where this provision is intended to be effective. The Parent agrees that damages are an inadequate remedy for any breach of this provision and that the Buyer shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of this non-competition provision.

10.4 Board Representation.

(a)The Buyer agrees to nominate and recommend to its shareholders the election to the Buyer's Board of Directors two person designated by the Parent and acceptable to the Buyer's Board of Directors acting reasonably (it being

agreed that in acting reasonably the Buyer's Board of Directors may consider the desirability of having two members of the Buyer's Board of Directors affiliated with the Parent). The Buyer's obligations under this Section 10.4(a) shall terminate if the Parent does not own five percent (5%) or more of the Buyer's outstanding Common Stock on or before July 31, 2000 or ceases to own five percent (5%) or more of the Buyer's outstanding Common Stock thereafter. The initial nominee to the Buyer's Board of Directors will be Alan Goldberg.

(b)The Parent agrees to nominate and recommend to its shareholders the election to the Parent's Board of Directors one person designated by the Buyer. The initial nominee will be David Eisenhaure. The Parent's obligations under this Section 10.4 shall terminate if the Purchaser ceases to own five percent (5%) or more of the Buyer's outstanding Common Stock or the Buyer's obligations under Section 3.10(a) ceases, whichever occurs first.

(c)Both parties will endeavor to have the representatives set forth above elected or appointed to their boards as soon as possible, but in no event later than December 1, 1999. The Parent shall have no obligation to appoint or elect the Buyer's nominee to its Board of Directors until the Buyer has appointed or elected the Parent's nominees to the Buyer's Board of Directors.

10.5 Benefit Transition.

Parent and Buyer shall cooperate to take whatever steps are necessary to effect, as promptly as practicable after the Closing Date, to the extent elected by participants, the distribution and direct rollover to Buyer's 401(k) Plan of the accrued benefit as of the Closing Date of the Company's employees under the 401(k) Plan. With respect to such rollover: (i) Buyer shall provide to Parent written assurances that Buyer's 401(k) is an "eligible retirement plan" and (ii) Parent shall provide to Buyer written assurances that Parent's 401(k) Plan are or are part of an "eligible retirement plan." For purposes of this Section 10.5, the term "eligible retirement plan." For purpose of this Section 10.5, the term "eligible retirement plan" shall have the meaning set forth in Sections 401(a)(31)(D) and 402(c)(8)(B) of the Code.

10.6 Co-operation in Financial and Other Reparation.

Each of Parent and Buyer agrees to fully cooperate with each other in (i) the preparation and audit by the Buyer and its independent public accountants of financial statements of the Company for such periods as are necessary for the Buyer to comply with its reporting obligations under the Exchange Act and the rules and regulations thereunder, (ii) the preparation and audit Parent and its independent public accountants of the financial statements of the Parent and its consolidated subsidiaries for the fiscal year ended September 30, 1999, (iii) preparation of Tax Returns and in connection with other audits, including but not limited to sales tax, workers compensation and (iv) the preparation by the Buyer of a balance sheet as of the Closing Date and a statement of income for the period then ended. Each of Parent and Buyer agrees to take such other steps as the other party shall reasonably request (at the expense of the requesting party) in order to permit compliance by a party hereto with its reporting obligations under the Exchange Act.

11. Notices.

Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by telex, federal express, registered or certified mail, postage prepaid, addressed as follows or to such other address of which the parties may have given notice:

To the Buyer:
SatCon Technology Corporation
161 First Street
Cambridge, MA 02142
Attention: President and
Chief Financial Officer
Facsimile: (617) 576-7455
With a copy to:
Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attention: Jeffrey N. Carp, Esq.
David C. Phelan, Esq.
Facsimile: (617) 526-5000
To the Parent or the Company:
Mechanical Technology Incorporated
968 Albany-Shaker Road
Latham, New York 12110
Attention: Cynthia A. Scheuer, Chief
Financial Officer
Facsimile: (518) 785-2211
With a copy to:
Catherine S. Hill PLLC
4 Global View
Troy, New York 12180
Attention: Catherine S. Hill
Facsimile: (518) 285-7564

Unless otherwise specified herein, such notices or other communications shall be deemed received (a) on the date delivered, if delivered personally, (b) three business days after being sent, if sent by registered or certified mail or (c) the day after the day such notice is sent by fax or a reputable overnight courier.

12. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Buyer, on the one hand, and the Parent, the Company and the Subsidiaries, on the other hand, may not assign their respective obligations hereunder without the prior written consent of the other party; provided, however, that the Buyer may assign this Agreement, and its rights and obligations hereunder, to a subsidiary or Affiliate of the Buyer. Any assignment in contravention of this provision shall be void. No assignment shall release the Buyer, the Parent, the Company or the Subsidiaries from any obligation or liability under this Agreement.

13. Entire Agreement; Amendments; Attachments.

(a)This Agreement, all Schedules and Exhibits hereto, and all agreements and instruments to be delivered by the parties pursuant hereto represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede all prior oral and written and all contemporaneous oral negotiations, commitments and understandings between such parties.

(b) If the provisions of any Schedule or Exhibit to this Agreement are inconsistent with the provisions of this Agreement, the provisions of the Agreement shall prevail. The Exhibits and Schedules attached hereto or to be attached hereafter are hereby incorporated as integral parts of this Agreement.

14. Severability.

Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction.

15. Investigation of the Parties.

All representations and warranties contained herein which are made to the best knowledge of a party shall require that such party make reasonable investigation and inquiry with respect thereto to ascertain the correctness and validity thereof.

16. Expenses.

Except as otherwise expressly provided herein, the Buyer, on the one hand, and the Purchaser, on the other hand, will pay all of their own fees and expenses (including, without limitation, legal and accounting fees and expenses) incurred by them in connection with the transactions contemplated hereby. The fees and expenses of the Company and the Subsidiaries in connection with the transactions contemplated hereby shall be borne solely by the Parent and not by the Company or any Subsidiary. The Parent shall be responsible for the payment of all sales or transfer taxes arising out of the conveyance of the Shares owned by such Stockholder.

17. Submission to Jurisdiction.

The Parent, Company and Buyer each irrevocably consent and commit themselves to the jurisdiction of all of the federal and state courts situated in the Commonwealth of Massachusetts and the United States District Court for the District of Boston for any and all matters and/or disputes arising out of this Agreement or the transactions contemplated hereby.

18. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

19. Section Headings.

The section headings are for the convenience of the parties and in no way alter, modify, amend, limit, or restrict the contractual obligations of the parties.

20. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be one and the same document.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of and on the date first above written.

SATCON TECHNOLOGY CORPORATION

By: /s/ David B. Eisenhaure
Name: David B. Eisenhaure
Title: President

MECHANICAL TECHNOLOGY
INCORPORATED

By:/s/ Cynthia A. Scheuer
Name: Cynthia A. Scheuer
Title: Vice President and CFO

LING ELECTRONICS, INC.

By: /s/ Cynthia A. Scheuer
Name: Cynthia A. Scheuer
Title: Secretary/Treasurer

LING ELECTRONICS, LTD.

By: /s/ Cynthia A. Scheuer
Name: Cynthia A. Scheuer
Title: Member/Board of Directors

Exhibit 10.33

SECURITIES PURCHASE AGREEMENT

between

SATCON TECHNOLOGY CORPORATION

and

MECHANICAL TECHNOLOGY INCORPORATED

Dated as of October 21, 1999

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement") is dated as of October 21, 1999, between SatCon Technology Corporation, a Delaware corporation (the "Company"), and Mechanical Technology Incorporated, a New York corporation (the "Purchaser").

WHEREAS, the Company and the Purchaser are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Rule 506 under Regulation D as promulgated by the United States Securities and Exchange Commission (the "Commission") under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act");

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Company desires to issue and sell 370,800 shares ("Primary Closing Shares") of the Company's Common Stock par value $0.01 per share ("Common Stock") and a stock purchase warrant (the "A Warrant") to purchase up to 36,000 shares of the Company's Common Stock in the form of Exhibit A annexed hereto; and

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Purchaser desires to purchase the Primary Closing Shares and the A Warrant in exchange for $2,570,000 in cash and a stock purchase warrant (the "MA Warrant") to purchase up to 36,000 shares of the Purchaser's $1.00 par value Common Stock in the form of Exhibit B annexed hereto; and

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Company desires to issue and sell 659,200 shares ("Secondary Closing Shares", together with the Primary Closing Shares, collectively the "Shares") of Common Stock and a stock purchase warrant (the "B Warrant", together with the A Warrant, collectively the "Warrants") to purchase up to 64,000 shares of the Company's Common Stock, in the form of Exhibit A annexed hereto, if the Company

achieves certain Milestones (as defined below) or the Purchaser elects to waive such Milestones, prior to January 31, 2000; and

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Purchaser desires to purchase Secondary Closing Shares and the B Warrant in exchange for $4,500,000 in cash and a stock purchase warrant (the "MB Warrant") to purchase up to 64,000 shares of the Purchaser's $1.00 par value Common Stock in the form of Exhibit B annexed hereto; and

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement substantially in the form of Exhibit C attached hereto (the "STC Registration Rights Agreement") pursuant to which the Company has agreed to provide certain registration rights under the Securities Act and the rules and regulations

promulgated thereunder, and applicable state securities laws; and

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement substantially in the form of Exhibit D attached hereto (the "MTI Registration Rights Agreement") pursuant to which the Company has agreed to provide certain registration rights under the Securities Act and the rules and regulations promulgated thereunder and applicable state securities laws.

NOW THEREFORE, in consideration of the promises and mutual covenants and agreements hereinafter, the Company and the Purchaser hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF THE SECURITIES AND WARRANTS

1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, the Company shall issue and sell to the Purchaser, and the Purchaser shall purchase from the Company, on the Primary Closing Date, the Primary Closing Shares and the A Warrant. The aggregate purchase price of the Primary Closing Shares and the A Warrant shall be $2,570,000 and the MA Warrant. Subject to the terms and conditions set forth herein, the Company shall issue and sell to the Purchaser, and the Purchaser shall purchase from the Company, on the Secondary Closing Date, the Secondary Closing Shares and the B Warrant. The aggregate purchase price of the Secondary Closing Shares and the B Warrant shall be $4,500,000 and the MB Warrant.

1.2 Closings. Primary Closing. The closing of the purchase and sale of the Primary Closing Shares and the A Warrant (the "Primary Closing") shall take place at the offices of Mechanical Technology Incorporated in Latham, New York, or by transmission by facsimile and overnight courier, immediately following the execution hereof or such later date or different location as the parties shall agree, but not prior to the date that the conditions set forth in Section 4.1 have been satisfied or waived by the appropriate party (the "Primary Closing Date"). At the Primary Closing:

(1)The Purchaser shall deliver, as directed by the Company, two million, five hundred seventy thousand dollars ($2,570,000) in United States dollars in immediately available funds to an account or accounts designated in writing by the Company;

(2)The Purchaser shall deliver to the Company the MA Warrant, in the form of Exhibit B hereto;

(3)The Company shall deliver to the Purchaser a certificate evidencing the Primary Closing Shares;

(4)The Company shall deliver to the Purchaser the A Warrant, in the form of Exhibit A hereto; and

(5) The parties shall execute and deliver each of the documents referred to in Section 4.1 hereof. Secondary Closing. The closing of the purchase and sale of the Secondary Closing Shares and the B Warrant (the "Secondary Closing") shall take place at the offices of Mechanical Technology Incorporated in Latham, New York or by transmission by facsimile and overnight courier on a date on or prior to January 31, 2000 selected by the Purchaser (the "Secondary Closing Date"). At the Secondary Closing,

(1)The Purchaser shall deliver, as directed by the Company, four million five hundred thousand dollars ($4,500,000) in United States dollars in immediately available funds to an account or accounts designated in writing by the Company;

(2)The Purchaser shall deliver to the Company the MB Warrant, in the form of Exhibit B hereto;

(3)The Company shall deliver to the Purchaser a certificate evidencing the Secondary Closing Shares;

(4)The Company shall deliver to the Purchaser the B Warrant, in the form of Exhibit A hereto; and

(5)The parties shall execute and deliver each of the documents referred to

in Section 4.2 hereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1Representations, Warranties and Agreements of the Company. The Company hereby makes the following representations and warranties to the Purchaser:

a.Organization and Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Except for Beacon Power Corporation ("Beacon") or as set forth on Schedule 2.1(a), the Company has no subsidiaries (collectively, the "Subsidiaries"); it being agreed that for purposes of this Agreement Beacon is not a subsidiary of the Company. Each of the Subsidiaries (which, except as provided in the prior sentence, for purposes of this Agreement means any entity in which the Company, directly or indirectly, owns the majority of such entity's capital stock or holds an equivalent equity or similar interest) is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the full corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Each of the Company and the Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not, individually or in the aggregate, (x)

adversely affect the legality, validity or enforceability of any of this Agreement or the Transaction Documents (as defined in Section 2.1(b)) or any of the material transactions contemplated hereby or thereby, (y) have or result in a material adverse effect on the results of operations, assets, or financial condition of the Company and its Subsidiaries, taken as a whole or (z) impair the Company's ability to perform in all material respects on a timely basis its material obligations under any Transaction Document (any of (x), (y) or (z), being a "Material Adverse Effect"). The Company has on file with the Securities Exchange Commission true and correct copies of the Company's Certificate of Incorporation, as amended and as in effect on the date hereof (the "Certificate of Incorporation"), and the Company's Bylaws, as in effect on the date hereof (the "Bylaws").

b.Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement, the A Warrant, the B Warrant and the Registration Rights Agreement (collectively, the "Transaction Documents"), and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of this Agreement and the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action. This Agreement has been duly executed by the Company and the A Warrant and Registration Rights Agreement at the Primary Closing will be duly executed by the Company. Subject to the terms and conditions contained herein, the B Warrant at the Secondary Closing will be duly executed by the Company. When delivered in accordance with the terms hereof, the Transaction Documents will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application and except that rights to indemnification and contribution may be limited by Federal or state securities laws or public policy relating thereto. Neither the Company nor any Subsidiary is in any material violation of any of the provisions of its respective certificate of incorporation, bylaws or other charter documents such that any right of a holder of the Common Stock would be affected.

c.Capitalization. As of the date hereof, the authorized capital stock of the Company is as set forth in Schedule 2.1(c). All of such outstanding shares of capital stock have been, or upon issuance will be, validly authorized and issued, fully paid and nonassessable (except as disclosed in the SEC Documents (as defined in Section 2.1(p)) and were issued in accordance with the registration or qualification provisions of the Securities Act, or pursuant to

valid exemptions therefrom. Except as disclosed in Schedule 2.1(c), (i) no shares of the Company's capital stock are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company, nor is any holder of the Common Stock entitled to preemptive or similar rights arising out of any agreement or understanding with the Company by virtue of any Transaction Document, (ii) there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, or giving any Person (as defined below) any right to subscribe for or acquire, any shares of capital stock of the Company or any of its Subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries or options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any

shares of capital stock of the Company or any of its Subsidiaries, (iii) there are no outstanding debt securities of the Company or any of its Subsidiaries, (iv) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of their securities under the Securities Act (except the Registration Rights Agreement), (v) there are no outstanding securities of the Company or any of its Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to redeem a security of the Company or any of its Subsidiaries, (vi) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the shares of Common Stock, the A Warrant or the B Warrant as described in this Agreement or upon the exercise of the A Warrant or the B Warrant, (vii) the Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement and (viii) except for the put rights granted to the holders of the Class D Preferred Stock of Beacon or pursuant to this Agreement or the Warrants issued to investment funds managed by Brown Simpson Capital Management, LLC, no Person (as defined below) or group of related Persons beneficially owns (as determined pursuant to Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or has the right to acquire by agreement with or by obligation binding upon the Company beneficial ownership of in excess of 5% of the Common Stock. "Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

d.Authorization and Validity; Issuance of Shares. The Common Stock issued pursuant to this Agreement and the Common Stock issuable upon exercise of the A Warrant and, when issued, the B Warrant will at all times hereafter continue to be duly authorized and reserved for issuance and the shares of Common Stock issued upon the exercise of the A Warrant and, when issued, the B Warrant (the "Warrant Shares") will be validly issued, fully paid and non-assessable, free and clear of all liens, encumbrances and Company rights of first refusal, other than liens and encumbrances created by the Purchaser (collectively, "Liens") and will not be subject to any preemptive or similar rights. Assuming the accuracy of the Purchaser's representations in Section 2.2, the issuance by the Company of the Common Stock, the A Warrant, the B Warrant and the Warrant Shares is exempt from registration under the Securities Act.

e.No Conflicts. The execution, delivery and performance of this Agreement and each of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including the issuance of the Warrant Shares) do not and will not (i) conflict with or violate any provision of the Certificate of Incorporation, Bylaws or other organizational documents of the Company or any of the Subsidiaries, (ii) subject to obtaining the consents referred to in Section 2.1(f), conflict with, or constitute a breach or a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument (evidencing a Company or Subsidiary debt or otherwise) to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or any Subsidiary is subject (including Federal and state securities laws and regulations and the rules and regulations of the principal market or exchange on which the Common Stock is traded or listed) applicable to the Company or any of its Subsidiaries, or by which any material

property or asset of the Company or any Subsidiary is bound or affected except, in each such case, for any violation, conflict, default or breach which is not reasonably expected to have a Material Adverse Effect.

f.Consents and Approvals. Except as specifically set forth on Schedule 2.1(f), neither the Company nor any Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal or state governmental authority, regulatory or self regulatory agency, or other Person in connection with the execution, delivery and performance by the Company of this Agreement or the Transaction Documents, other than (i) the filing of a registration statement with the Commission, which shall be filed in accordance with and in the time periods set forth in the Registration Rights Agreement, (ii) the application(s) or any letter(s) acceptable to the National Market System of Nasdaq Stock Market ("Nasdaq") for the listing of the Shares and the Warrant Shares with Nasdaq (and with any other national securities exchange or market on which the Common Stock is then listed), (iii) any filings, notices or registrations under applicable state securities laws, and (iv) the filing of a form D with the Commission (together with the consents, waivers, authorizations, orders, notices and filings referred to on Schedule 2.1(f), the "Required Approvals").

g.Litigation; Proceedings. Except as specifically set forth on Schedule 2.1(g), there is no action, suit, notice of violation, proceeding or investigation pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries or any of their respective properties or assets before or by any court, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which (i) adversely affects or challenges the legality, validity or enforceability of any of this Agreement or the Transaction Documents or (ii) could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

h.Material Contracts. Except for this Agreement, the other agreements to be entered into pursuant to the terms of this Agreement, contracts attached as exhibits to the Company's SEC Documents and the contracts of the Company and its Subsidiaries set forth on Exhibit 2.1(h) attached hereto (collectively, the "Contracts"), neither the Company nor its Subsidiaries are a party to or otherwise bound by any written or oral:

(1)written contract for the employment of any officer, employee or other person on a full-time or consulting basis, which is not terminable on thirty (30) days' notice without cost or liability to the Company or any Subsidiary, except normal severance arrangements and accrued vacation pay;

(2)bonus, pension, profit-sharing, retirement, hospitalization, insurance, stock purchase, stock option or other plan, contract or understanding pursuant to which benefits are provided to any employee of the Company or any Subsidiary (other than group insurance plans applicable to employees generally);

(3)agreement or indenture relating to the borrowing of money or to the mortgaging or pledging of, or otherwise placing a lien or security interest on, any asset of the Company or Subsidiary or any agreement or instrument evidencing any guaranty by the Company or any Subsidiary of payment or performance by any other Person;

(4)voting trust or agreement, stockholders' agreement, pledge agreement, buy-sell agreement or first refusal or preemptive rights agreement relating to any securities of the Company;

(5)agreement or obligation (contingent or otherwise) to issue, sell or otherwise distribute or to repurchase or otherwise acquire or retire any shares of its capital stock or any of its other equity securities;

(6)agreement under which the Company or any Subsidiary has granted any person any registration rights, other than this Agreement;

(7)agreement providing for disposition of the business, assets or shares of the Company or its Subsidiaries, agreement of merger or consolidation to which the Company or any Subsidiary is a party or letter of intent with respect to the foregoing;

(8)agreement or letter of intent (other than the acquisition of Ling Electronics, Inc.) with respect to the acquisition of the business, assets or shares of any other Person.

i.ERISA. Set forth in Exhibit 2.1(i) is a list and brief description of each "employee pension benefit plan," as such term is defined in Section 3(2) of ERISA, now or formerly maintained by the Company or any of their respective Subsidiaries, to which the Company or any Subsidiary is now or will be obligated to contribute. Except as described in Exhibit 2.1(i), no event has occurred, or to the knowledge of the Company or its Subsidiaries, is threatened or about to occur, which would constitute a reportable event within the meaning of Section 4043(b) of ERISA, and no notice of termination has been filed by the plan administrator pursuant to Section 4041 of ERISA or issued by the Pension Benefit Guaranty Corporation (the "PBGC") pursuant to Section 4042 of ERISA with respect to any pension benefit plan described in Exhibit 2.1(i) subject to ERISA. To the best knowledge of the Company, no prohibited transaction (as defined in Section 4975 of the Code) has occurred with respect to any employee benefit plan maintained by the Company or any of its Subsidiaries. Neither the Company nor any of their respective Subsidiaries nor any of their respective ERISA Affiliates is or has been a participant in any multiemployer plan as defined in ERISA. "ERISA Affiliate" means with respect to any Person, any entity that would be considered to be under common control with such person for purposes of Title IV of ERISA.

j.Environmental Matters.

(1)Hazardous Materials have not at any time been generated, used, treated or stored on any property, plants or other facilities now owned, leased, or operated by the Company or any Subsidiary (or at any property, plant or other facilities ever owned, leased or operated by any predecessor entity at such locations), in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, and none of the Company, its Subsidiaries or its predecessors have received any notice of any such violation with respect to Hazardous Materials except for such violations that the Company reasonably does not expect will have a Material Adverse Effect;

(2)There has been no spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto any property now owned or leased by the Company, its Subsidiaries or any predecessor (or onto any other property ever owned or leased by it, or by any predecessor entity at any such location), or into the environment surrounding any such property, of Hazardous Materials, other than those releases permissible under such regulations, laws or statutes or allowable under applicable permits and except for such violations that the Company reasonably does not expect will have a material adverse effect on the Company;

(3)The Company, its Subsidiaries or its predecessor, their operations and any property owned by the Company, its Subsidiaries or its predecessor are in material compliance with all material Environmental Laws and the material requirements of any permits issued under such laws;

(4) There are no past, pending or, to the best of the Company's knowledge, threatened Environmental Claims against the Company, its Subsidiaries or its predecessor or any property now or previously owned or leased by the Company, its Subsidiaries or its predecessor;

(5) To the best of the Company's knowledge, there is no condition or occurrence on any property now or previously owned or leased by the Company, its Subsidiaries or its predecessor or any property adjoining or in the vicinity of any such property that could reasonably be anticipated (i) to form the basis of an Environmental Claim against the Company, its Subsidiaries or its predecessor or (ii) to cause any property of the Company, its Subsidiaries or its predecessor to be subject to any restrictions on the ownership, occupancy, use or transferability of such property under any Environmental Law.

(6)For purposes of this Agreement, "Hazardous Materials" shall refer to (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance exposure to which is prohibited, limited or regulated by any governmental

authority; "Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health, safety or Hazardous Materials, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") 42 U.S.C. 9601 et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. 2601 et seq.; the Clean Air Act, 42 U.S.C. 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. 3808 et seq.; and their counterparts under any state or local laws; "Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any such Law (hereafter "Claims"), including without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, fines or penalties pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

k. Year 2000 Matters. The Company's statements regarding "Year 2000 Risk" set forth in the SEC Documents are true and correct in all material respects.

"Year 2000 Risk" means the risk that computer applications used by the Company and/or its suppliers, vendors and customers may be unable to recognize and perform without error date- sensitive functions involving certain dates prior to and any date after December 31, 1999, including, without limitation, September 9, 1999.

l.No Default or Violation. Except as specifically set forth on Schedule 2.1(l), neither the Company nor any Subsidiary (i) is in default under or in violation of any indenture, loan or other credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties or assets is bound and which is required to be included as an exhibit to any SEC Document (as defined in Section 2.1(o) hereof) or will be required to be included as an exhibit to the Company's next filing under either the Securities Act or Exchange Act, (ii) is in violation of any order of any court, arbitrator or governmental body applicable to it, (iii) is in violation of any statute, rule or regulation of any governmental authority to which it is subject, (iv) is in default under or in violation of its Certificate of Incorporation, Bylaws or other organizational documents, respectively, or (v) is in default under or in violation of any of the listing requirements of Nasdaq as in effect on the date hereof and is not aware of any facts which would reasonably lead to delisting or suspension of the Common Stock by Nasdaq in the foreseeable future except, in each such case, for any violation or default which is not reasonably expected to have a Materially Adverse Effect. The business of the Company and its Subsidiaries is not being conducted, and has not been conducted, in violation of any law, ordinance, rule or regulation of any governmental entity, except where such violations have not resulted or would not reasonably result, individually or in the aggregate, in a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is in breach of any agreement where such breach, individually or in the aggregate, would have a Material Adverse Effect

m.Disclosure; Absence of Certain Changes. None of this Agreement, the Schedules to this Agreement, the Transaction Documents, the SEC Documents (as amended to date) contained as of their respective dates, any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements made herein and therein, in light of the circumstances under which they were made, not misleading. Except as disclosed on Schedule 2.1(m) or in SEC Documents filed on EDGAR through the date hereof, since the filing of the Company's quarterly report on Form 10-Q on August 16, 1999, there has been no material adverse change and no material adverse development in the business, properties, operations, financial condition, liabilities or results of operations of the Company or the Subsidiaries. The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to any bankruptcy law nor does the Company or any of its Subsidiaries have any knowledge or reason to believe that its creditors intend to initiate

involuntary bankruptcy proceedings.

n.Private Offering. The Company and all Persons acting on its behalf have not made within the six months preceding the Closing Date, directly or indirectly, and will not make, offers or sales of any securities or solicited any offers to buy any security at any time within six months after the Closing Date under circumstances that would require registration of the Securities, the Warrants or the Warrant Shares or the issuance of such securities under the Securities Act.

o.SEC Documents; Financial Statements. The Common Stock of the Company is registered pursuant to Section 12(g) of the Exchange Act. The Company has filed during its current fiscal year all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the

reporting requirements of the Exchange Act, including pursuant to Section 13, 14 or 15(d) thereof (the foregoing materials and financial statements and schedules thereto being collectively referred to herein as the "SEC Documents"), on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Documents prior to the expiration of any such extension. The Company has delivered to the Purchaser or its representatives true, complete and accurate copies of the SEC Documents that were not filed pursuant to EDGAR. As of their respective dates and giving effect to all amendments thereto filed with the Commission, the financial statements of the Company included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, year-end audit adjustments. The Company acknowledges that the Purchaser will be trading in the securities of the Company in reliance on the foregoing representation and warranty.

p.Investment Company. The Company is not, and is not controlled by or under common control with an affiliate (an "Affiliate") of an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

q. Broker's Fees. No fees or commissions or similar payments with respect to the transactions contemplated by this Agreement or the Transaction Documents have been paid or will be payable by the Company to any broker, financial advisor, finder, investment banker, or bank, other than as set forth in Schedule 2.1(q). The Purchaser shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 2.1(q) that may be due in connection with the transactions contemplated by this Agreement and the Transaction Documents.

r. Form S-3 Eligibility. The Company is, and at the Closing Date will be, eligible to register securities (including the Shares and the Warrant Shares) for resale with the Commission under Form S-3 (or any successor form) promulgated under the Securities Act.

s. Listing and Maintenance Requirements Compliance. The principal market on which the Common Stock is currently traded is Nasdaq. Except as disclosed on Schedule 2.1(s), the Company has not in the three years preceding the date hereof received notice (written or oral) from Nasdaq (or any stock exchange, market or trading facility on which the Common Stock is or has been listed (or on which it has been quoted)) to the effect that the Company is not in compliance with the listing or maintenance requirements of such market or exchange. The Company is not aware of any facts which would reasonably lead to delisting or suspension of the Common Stock by Nasdaq. After giving effect to the transactions contemplated by this Agreement and the Transaction Documents, the Company is and will be in compliance with all such maintenance requirements except for any approval required under the NASD rules.

t. Intellectual Property Rights. To the best of the knowledge of the Company, the Company owns or possesses, or can obtain by payment of royalties in amounts which, in the aggregate, will not have a Material Adverse Effect, all of the patents, trademarks, service marks, trade names, copyrights, proprietary

rights, trade secrets, and licenses or rights to the foregoing, necessary for the conduct of the business of the Company as currently conducted. To the best of the Company's knowledge, the business of the Company does not cause the Company to infringe or violate any of the patents, trademarks, service marks, trade names, copyrights, licenses or proprietary rights of any person or entity.

u. Registration Rights; Rights of Participation. Except as described on Schedule 2.1(u) hereto, (i) the Company has not granted or agreed to grant to any Person any rights (including "piggy-back" registration rights) to have any securities of the Company registered with the Commission or any other governmental authority which has not been satisfied and (ii) no Person, including, but not limited to, current or former stockholders of the Company, underwriters, brokers or agents, has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement or any Transaction Document.

v. Tax Status; Firpta. Except as set forth on Schedule 2.1(v), the Company and each of the Subsidiaries has made or filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith (which are set forth on Schedule 2.1(v) hereof), and has set aside on it books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company is not a "United States real property holding corporation" within the meaning of Section 847(c)(2) of the Internal Revenue Code of 1986, as amended.

w. Transactions With Affiliates. Except as set forth on Schedule 2.1(c) or Schedule 2.1(w), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

x. Application to Takeover Protection. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination or other similar anti-takeover provision under the Certificate of Incorporation, Bylaws or the laws of the state of incorporation which is or could become applicable to the Purchaser or the Transaction Documents as a result of the transactions contemplated by this Agreement or the Transaction Documents. None of the transactions contemplated by this Agreement or the Transaction Documents, including the exercise of the A Warrant or the B Warrant, will trigger any poison pill provisions of any of the Company's stockholders' rights or similar agreements.

y. Solicitation Materials. The Company has not (i) distributed any offering materials in connection with the offering and sale of the Shares or the A Warrant or the B Warrant, other than the SEC Documents, the Schedules to this Agreement, any amendments and supplements thereto, material or information requested by the Purchaser or its representative in connection with the transaction contemplated by this Agreement, and the materials listed on Schedule 2.1(y), or (ii) solicited any offer to buy or sell the Shares, the A Warrant or the B Warrant by means of any form of general solicitation or advertising. Neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of the Shares or Warrants.

z. Acknowledgment of Dilution. The Company understands and acknowledges the

potentially dilutive effect to the Common Stock upon the issuance of the Warrant Shares upon exercise of the Warrants. The Company further acknowledges that its obligation to issue Warrant Shares upon exercise of the Warrants in accordance with this Agreement, and the Warrants is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other stockholders of the Company.

aa. Acknowledgment Regarding Purchaser's Purchase of Securities. The Company acknowledges and agrees that the Purchaser is acting solely in the capacity of arm's length Purchaser with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Purchaser is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by any Purchaser or any of their respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Purchaser's purchase of the securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

bb. Other Agreements. The Company has not, directly or indirectly, made any agreements with the Purchaser relating to the terms and conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents.

cc.Investment Intent. The Company is acquiring the MA Warrant and the MB Warrant and any shares of stock it receives upon exercise of the MA Warrant or the MB Warrant (the "M Shares") for its own account and not with a present view to or for distributing or reselling the M Shares, the MA Warrant, the MB Warrant or any part thereof or interest therein in violation of the Securities Act; provided, however, that by making the representations herein, the Company does not agree to hold any of the M Shares, the MA Warrant or the MB Warrant for any minimum or other specific term and reserves the right to dispose of the M Shares, the MA Warrant or the MB Warrant at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act.

dd.Company Status. At the time the Company was offered the MA Warrant, the MB Warrant, and at the Primary Closing Date and Secondary Closing Date, (i) it was and will be an "accredited investor" as defined in Rule 501 under the Securities Act and (ii) the Company, either alone or together with its representatives, had and will have such knowledge, sophistication and

experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares and the Warrants.

ee.Reliance. The Company understands and acknowledges that (i) the M Shares, the MA Warrant and the MB Warrant are being offered and sold to the Company without registration under the Securities Act in a private placement that is exempt from the registration provisions of the Securities Act under Section 4(2) of the Securities Act or Regulation D promulgated thereunder and (ii) the availability of such exemption depends in part on, and the Purchaser will rely upon the accuracy and truthfulness of, the representations set forth in this Section 2.1 and the Company hereby consents to such reliance.

ff.Governmental Review. The Company understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the M Shares, the MA Warrant or the MB Warrant.

Any information furnished in the schedules to Section 2.1 (a "Disclosure Schedule") shall be deemed to modify all of the Company's representations and warranties. The inclusion of any information in the Disclosure Schedule shall not be deemed to be an admission or acknowledgment, in and of itself, that such information is required by the terms hereof to be disclosed, is material to the company, has or would have a Material Adverse Effect. For purposes of this Agreement, the terms "to the Company's knowledge," "known by the Company" or other words of similar meaning shall mean the actual knowledge of David Eisenhaure or Michael Turmelle without any obligation of investigation, and shall not refer to the knowledge of any other person or entity.

2.2Representations and Warranties of the Purchaser. The Purchaser hereby

represents and warrants to the Company as follows:

a.Organization; Authority. The Purchaser is a corporation duly formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with the requisite power and authority, corporate or otherwise, to enter into and to consummate the transactions contemplated hereby and by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The purchase by the Purchaser of the Shares, the A Warrant and the B Warrant hereunder has been duly authorized by all necessary action on the part of the Purchaser. Each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Purchaser and constitutes the valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity.

b.Authorization and Validity; Issuance of Shares. The common stock issuable upon exercise of the MA Warrant and, when issued, the MB Warrant, will at all times hereafter continue to be duly authorized and reserved for issuance and the shares of common stock issued upon the exercise of the MA Warrant, and when issued, the MB Warrant, will be validly issued, fully paid and non-assessable, free and clear of all liens, encumbrances, and Purchaser rights of first refusal, other than liens and encumbrances created by the Company and will not be subject to any preemptive or similar rights. Assuming the accuracy of the Company's representations in Section 2.1, the issuance by the Purchaser of the MA Warrant, the MB Warrant and any shares upon exercise of such warrants is exempt from registration under the Securities Act.

c.Purchaser SEC Documents; Financial Statements.The Common Stock of the Purchaser is registered pursuant to Section 12(g) of the Exchange Act. The Purchaser has filed during its current fiscal year all reports, schedules, forms, statements and other documents required t be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act, including pursuant to Section 13, 14 or 15(d) thereof (the foregoing materials and financial statements and schedules thereto being collectively referred to herein as the "Purchaser SEC Documents"), on a timely basis or has received a valid extension of such time of filing and has filed any such Purchaser SEC Documents prior to the expiration of any such extension. The Purchaser has delivered to the Company or its representatives true, complete and accurate copies of the Purchaser SEC Documents that were not filed pursuant to EDGAR. As of their respective financial statements of the Purchasers included in the Purchaser SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Purchaser as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, year-end audit adjustments. The Purchaser acknowledges that the Company will be trading in the securities of the Purchaser in reliance on the foregoing representation and warranty.

d.Disclosure; Absence of Certain Changes.None of this Agreement, the Schedules to this Agreement, the Purchaser SEC Documents (as amended to date) contained as of their respective dates, any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements made herein and therein, in light of the circumstances under which they were made, not misleading. Except as disclosed in Purchaser SEC Documents files on EDGAR through the date hereof, since the filing of the Purchaser quarterly report on Form 10-Q on August 6, 1999, there has been no Material Adverse Change and no material adverse development in the business, properties, operations, financial condition, liabilities or results of operations of the Purchaser. The Purchaser has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to any bankruptcy law nor does the Purchaser or any of its Purchaser Subsidiaries have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings.

e.Investment Intent. The Purchaser is acquiring the Shares, the A Warrant and the B Warrant for its own account and not with a present view to or for distributing or reselling the Shares, the A Warrant, the B Warrant or the

Warrant Shares or any part thereof or interest therein in violation of the Securities Act; provided, however, that by making the representations herein, the Purchaser does not agree to hold any of the Shares, the A Warrant, the B Warrant or the Warrant Shares for any minimum or other specific term and reserves the right to dispose of the Shares, the A Warrant, the B Warrant or the Warrant Shares at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act.

f.Purchaser Status. At the time the Purchaser was offered the Shares, the A Warrant, the B Warrant, and at the Primary Closing Date and Secondary Closing Date, (i) it was and will be an "accredited investor" as defined in clause (a)(7) of Rule 501 under the Securities Act and (ii) the Purchaser, either alone or together with its representatives, had and will have such knowledge, sophistication and experience in business and financial matters so as to be

capable of evaluating the merits and risks of the prospective investment in the Shares and the Warrants.

g.Reliance. The Purchaser understands and acknowledges that (i) the Shares, the A Warrant and the B Warrant are being offered and sold to the Purchaser without registration under the Securities Act in a private placement that is exempt from the registration provisions of the Securities Act under Section 4(2) of the Securities Act or Regulation D promulgated thereunder and (ii) the availability of such exemption depends in part on, and the Company will rely upon the accuracy and truthfulness of, the representations set forth in this Section 2.2 and the Purchaser hereby consents to such reliance.

h.Governmental Review. The Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Shares, the A Warrant or the B Warrant.

i. Residency. The Purchaser is a resident of the State of New York.

The Company acknowledges and agrees that the Purchaser makes no representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in this Section 2.2.

ARTICLE III.

OTHER AGREEMENTS

3.1 Transfer Restrictions.

a.If the Purchaser should decide to dispose of the Shares, the A Warrant, the B Warrant or the Warrant Shares held by it, the Purchaser understands and agrees that it may do so only pursuant to an effective registration statement under the Securities Act, to the Company or pursuant to an available exemption from the registration requirements of the Securities Act, including Rule 144 promulgated under the Securities Act ("Rule 144"). In connection with any transfer of any Shares, A Warrant, B Warrant or Warrant Shares other than pursuant to an effective registration statement, Rule 144 or to the Company, the Company may require the transferor thereof to provide to the Company a written opinion of counsel experienced in the area of United States securities laws selected by the transferor, the form and substance of which opinion shall be customary for opinions of counsel in comparable transactions, to the effect that such transfer does not require registration of such transferred securities under the Securities Act; provided, however, that if the Shares, A Warrant, B Warrant or Warrant Shares may be sold pursuant to Rule 144(k), no written opinion of counsel shall be required from the Purchaser if the Purchaser provides reasonable assurances that such security can be sold pursuant to Rule 144(k). Notwithstanding the foregoing, the Company hereby consents to and agrees to register any transfer by the Purchaser to an Affiliate of the Purchaser, provided that the transferee certifies to the Company that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act. Any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Purchaser under this Agreement and the Transaction Documents. If the Purchaser provides the Company with an opinion of counsel, the form and substance of which opinion shall be customary for opinions of counsel in comparable transactions, to the effect that a public sale, assignment or transfer of the Shares, A Warrant, B Warrant and the Warrant Shares may be made without registration under the Securities Act or the Purchaser provides the Company with reasonable assurances that the Shares, A

Warrant, B Warrant and the Warrant Shares can be sold pursuant to Rule 144 without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold, the Company shall permit the transfer, and, in the case of the Warrant Shares, promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by the Purchaser and without any restrictive legend. Notwithstanding the foregoing or anything else contained herein to the contrary, the securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

b.The Purchaser agrees to the imprinting by the Company, so long as is required by this Section 3.1(b), of the following legend on the Shares, the A Warrant, the B Warrant and the Warrant Shares:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Neither the Shares, the A Warrant, the B Warrant nor the Warrant Shares shall be required to contain the legend set forth above (or any other legend) (i) at any time after transfer pursuant to a registration statement is effective under the Securities Act covering such security, (ii) if in the written opinion of counsel to the Company or the Purchaser experienced in the area of United States securities laws such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) or (iii) if such Shares, the A Warrant, the B Warrant or the Warrant Shares are sold pursuant to Rule 144. When requested, which request will be accompanied by the certificate representing such shares, the Company agrees that it will provide the Purchaser with a certificate or certificates representing the Shares, the A Warrant, the B Warrant or the Warrant Shares, free from such legend at such time as such legend is no longer required hereunder. If such certificate or certificates had previously been issued with such a legend or any other legend, the Company shall, upon request, receive such certificate or certificates free of any legend.

c. Notwithstanding the foregoing, the Purchaser's disposition of the Warrant Shares shall be subject to Suspension Periods (as defined in the Registration Rights Agreement) set forth in Section 3(r) of the Registration Rights Agreement.

3.2Stop Transfer Instruction. The Company may not make any notation on its records or give instructions to any transfer agent of the Company which enlarge the restrictions on transfer set forth in Section 3.1.

3.3Furnishing of Information. Until the Shares, the A Warrant, the B Warrant or the Warrant Shares have been sold pursuant to a registration statement under the Securities Act or are eligible for sale pursuant to Rule 144(k), the Company will cause its Shares to continue at all times to be registered under Section 12(g) of the Exchange Act, will timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to

Section 13, 14 or 15(d) of the Exchange Act and, unless filed by EDGAR, promptly furnish, but in no event later than two (2) business days after the filing thereof with the Commission, the Purchaser with true and complete copies of all such filings, and will not take any action or file any document (whether or not permitted by the Exchange Act or the rules thereunder) to terminate or suspend such reporting and filing obligations. Until the Shares, the A Warrant, the B Warrant or the Warrant Shares have been sold pursuant to a registration statement under the Securities Act or are eligible for sale pursuant to Rule 144(k), if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Purchaser and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange

Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will take such further action as any holder of the Shares, the A Warrant, the B Warrant or the Warrant Shares may reasonably request, all to the extent required from time to time to enable such Person to sell the Shares, the A Warrant, the B Warrant or the Warrant Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, including the legal opinion referenced above in Section 3.1(b).

3.4 Blue Sky Laws. In accordance with the Registration Rights Agreement, the Company shall (i) qualify the Warrant Shares under the securities or "blue sky" laws of such jurisdictions as the Purchaser may request (or to obtain an exemption from such qualification), (ii) shall provide evidence of any such action so taken to the Purchaser on or prior to the Closing Date and (iii) shall continue such qualification at all times through the resale of all Warrant Shares, but in any event not past the 4th anniversary of the Closing Date.

3.5 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Shares, the A Warrant, the B Warrant or the Warrant Shares in a manner that would require the registration under the Securities Act or the sale of the Shares, the A Warrant, the B Warrant or the Warrant Shares to any Purchaser or cause the offering of such securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

3.6 Listing and Reservation of Warrant Shares.

a. The Company shall (i) not later than three (3) business days after each Closing Date prepare and file with Nasdaq (as well as any other national securities exchange or market on which the Common Stock is then listed) an additional shares listing application or a letter acceptable to Nasdaq covering and listing a number of shares of Common Stock which are issued at such Closing or issuable pursuant to the Warrants issuable at such Closing which is at least equal to 1 times the maximum number of Warrant Shares then issuable, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing on Nasdaq (as well as on any other national securities exchange or market on which the Common Stock is then listed) as soon as possible thereafter, (iii) maintain, so long as any other shares of Common Stock shall be so listed, such listing of all such Warrant Shares, and (iv) provide to the Purchaser evidence of such listing. Neither the Company nor any of its

Subsidiaries shall take any action which may result in the delisting or suspension of the Common Stock on Nasdaq. Prior to the effectiveness of the Initial Registration Statement (as defined in the Registration Rights Agreement), the Company shall promptly provide to the Purchaser copies of any notices it receives from Nasdaq regarding the continued eligibility of the Common Stock for listing on such automated quotation system, so long as such notice does not include material, nonpublic information. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 3.6(a).

b. The Company at all times shall reserve a sufficient number of shares of its authorized but unissued Common Stock to provide for 1 times the full exercise of the outstanding Warrants. If at any time the number of shares of Common Stock authorized and reserved for issuance is insufficient to cover 100% of the number of Warrant Shares issued and issuable upon exercise of the Warrants (based on the Exercise Price (as defined in the Warrants) of the Warrants in effect from time to time) without regard to any limitation on conversions or exercises, the Company will promptly take all corporate action necessary to authorize and reserve 100% of such shares, including, without limitation, calling a special meeting of stockholders to authorize additional shares to meet the Company's obligations under this Section 3.6(b), in the case of an insufficient number of authorized shares, and using its best efforts to obtain stockholder approval of an increase in such authorized number of shares. In addition, upon the occurrence of an adjustment of the Exercise Price (as defined in the Warrant), the Company shall be required to file, within ten (10) business days of such event, a registration statement covering the product of 1.0 and the number Warrant Shares, less the number of Warrant Shares for which a registration statement is then effective. The Company shall use its best efforts to cause such registration statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any

event on or prior to that date which is one hundred and twenty (120) days after the filing date thereof. All calculations of the above amount shall be made without regard to any limitation on exercises of Warrants.

3.7 Notice of Breaches.

a.The Company and the Purchaser shall give prompt written notice to the other of any breach by it of any representation, warranty or other agreement contained in this Agreement or in the Transaction Documents. However, no disclosure by either party pursuant to this Section 3.7 shall be deemed to cure any breach of any representation, warranty or other agreement contained herein or in the Transaction Documents.

b.Notwithstanding the generality of Section 3.7(a), the Company shall promptly notify, provided such notification will not constitute material non-public information, the Purchaser of any notice or claim (written or oral) that it receives from any lender of the Company or any Subsidiary to the effect that the consummation of the transactions contemplated hereby and by the Registration Rights Agreement violates or would violate any written agreement or understanding between such lender and the Company or any Subsidiary, and the Company shall promptly furnish by facsimile to the Purchaser a copy of any written statement in support of or relating to such claim or notice.

c.The default by any Purchaser of any of its obligations, representations or warranties under this Agreement or the Transaction Documents shall not be imputed to, and shall have no effect upon, any other Purchaser or affect the Companys' obligations under this Agreement or any Transaction Document to any non-defaulting Purchaser.

3.8 Form D. The Company agrees to file a Form D with respect to the Shares, A Warrant and B Warrant as required by Rule 506 under Regulation D and to provide a copy thereof to the Purchaser promptly after such filing.

3.9Use of Proceeds. The Company intends to use the proceeds from the sale of the Common Stock and the exercise of the Warrants (i) to enhance the Company's ability to satisfy purchase orders that both parties anticipate that the Company will receive from Plug Power, (ii) otherwise to develop the Company's module manufacturing capability or (iii) in connection with the transition and integration of Ling Electronics into the Company's other operations and not to fund future investment in Beacon Power Corporation. The Company is free to use the proceeds of the offering for other corporate purposes if the board of directors of the Company determines that it is in the best interest of the Company to do so. The Purchaser acknowledges that the Company may, in the future, acquire cash from other sources and that it may invest such cash in Beacon Power Corporation. It is not the intention of the parties to establish an auditable trail between receipt of the proceeds and the use of such funds.

3.10Board Representation.

a.The Company agrees to nominate and recommend to its shareholders the election to the Company's Board of Directors two person designated by the Purchaser and acceptable to the Company's Board of Directors acting reasonably (it being agreed that in acting reasonably the Company's Board of Directors may consider the desirability of having two members of the Company's Board of Directors affiliated with the Purchaser). The Company's obligations under this Section 3.10(a) shall terminate if the Purchaser does not own five percent (5%) or more on or before July 31, 2000 or ceases to own five percent (5%) or more of the Company's outstanding Common Stock. The initial nominee to the Company's Board of Directors will be Alan Goldberg.

b.The Purchaser agrees to nominate and recommend to its shareholders the election to the Company's Board of Directors one person designated by the Company. The initial nominee will be David Eisenhaure. The Purchaser's obligations under this Section 3.10(b) shall terminate if the Purchaser ceases to own five percent (5%) or more of the Company's outstanding Common Stock or the Company's obligations under Section 3.10(a) ceases, whichever occurs first.

c. Both parties will endeavor to have the representatives set forth above elected or appointed to their boards as soon as possible, but in no event later than December 1, 1999. The Purchaser shall have no obligation to appoint or elect the Company's nominee to its Board of Directors until the Company has appointed or elected the Purchaser's nominees to the Company's Board of Directors.

3.11Transactions with Affiliates. So long as any Shares, A Warrant or B Warrant are outstanding, the Company shall not, and shall cause each of its Subsidiaries not to, enter into, amend, modify or supplement, or permit any Subsidiary to enter into, amend, modify or supplement, any agreement, transaction, commitment or arrangement with any of its or any Subsidiary's officers, directors or persons who were officers or directors at any time during the previous two years, stockholders who beneficially own 5% or more of the Common Stock, or Affiliates or any individual related by blood, marriage or adoption to any such individual or with any entity in which any such entity or individual owns a 5% or more beneficial interest (each a "Related Party"), except for (a) customary employment arrangements and benefit programs on reasonable terms, (b) any agreement, transaction, commitment or arrangement on an arms-length basis on terms no less favorable than terms which would have

been obtainable from a Person other than such Related Party, or (c) any agreement, transaction, commitment or arrangement which is approved by a majority of the disinterested directors of the Company. For purposes hereof, any director who is also an officer of the Company or any Subsidiary of the Company shall not be a disinterested director with respect to any such agreement, transaction, commitment or arrangement. "Affiliate" for purposes of this section only means, with respect to any person or entity, another person or entity that, directly or indirectly, (i) has a 5% or more equity interest in that person or entity, (ii) has 5% or more common ownership with that person or entity, (iii) controls that person or entity, or (iv) shares common control with that person or entity. "Control" or "Controls" for purposes of this section means that a person or entity has the power, direct or indirect, to conduct or govern the policies of another person or entity.

3.12Transfer Agent Instructions. At the Primary Closing the Company shall issue irrevocable instructions to its transfer agent (and shall issue to any subsequent transfer agent as required), to issue certificates, registered in the name of the Purchaser or its respective nominee(s), for the Warrant Shares issuable pursuant to the A Warrant in such amounts as specified from time to time by the Purchaser to the Company in a form acceptable to the Purchaser (the "Primary Closing Irrevocable Transfer Agent Instructions"). At the Secondary Closing the Company shall issue irrevocable instructions to its transfer agent (and shall issue to any subsequent transfer agent as required), to issue certificates, registered in the name of the Purchaser or its respective nominee(s), for the Warrant Shares issuable pursuant to the B Warrant in such amounts as specified from time to time by the Purchaser to the Company in a form acceptable to the Purchaser (the "Secondary Closing Irrevocable Transfer Agent Instructions"). So long as required pursuant to Section 3.1(b), all such certificates shall bear the restrictive legend specified in Section 3.1(b) of this Agreement. The Company warrants that no instruction other than the Primary Closing Irrevocable Transfer Agent Instructions and the Secondary Closing Irrevocable Transfer Agent Instructions referred to in this Section 3.12, and stop transfer instructions to give effect to Section 3.1 hereof (in the case of the Warrant Shares, prior to registration of the Shares under the Securities Act) will be given by the Company to its transfer agent and that the Shares, the A Warrant, the B Warrant or the Warrant Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Transaction Documents. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Purchaser by violating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 3.12 will be inadequate and agrees, in the event of a beach or threatened breach by the Company of the provisions of this Section 3.12, that the Purchaser, shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

3.13 Press Release; Filing of Form 8-K. Subject to the provisions of Section 6.10 hereof, prior to the opening of Nasdaq on October 21, 1999, the Company and the Purchaser shall file a joint press release in form and substance acceptable to the Company and the Purchaser.

3.14Purchaser Transfer Agent Instructions. At the Primary Closing the Purchaser shall issue irrevocable instructions to its transfer agent (and shall issue to any subsequent transfer agent as required), to issue certificates, registered in the name of the Company or its respective nominee(s), for the M Shares issuable pursuant to the MA Warrant in such amounts as specified from

time to time by the Company to the Purchaser in a form acceptable to the Company (the "Primary Closing Irrevocable Transfer Agent Instructions"). At the Secondary Closing the Purchaser shall issue irrevocable instructions to its transfer agent (and shall issue to any subsequent transfer agent as required), to issue certificates, registered in the name of the Company or its respective nominee(s), for the M Shares issuable pursuant to the MB Warrant in such amounts as specified from time to time by the Company to the Purchaser in a form acceptable to the Company (the "Secondary Closing Irrevocable Transfer Agent Instructions"). So long as required pursuant to Section 3.15(b), all such certificates shall bear the restrictive legend specified in Section 3.15(b) of this Agreement. The Purchaser warrants that no instruction other than the Primary Closing Irrevocable Transfer Agent Instructions and the Secondary Closing Irrevocable Transfer Agent Instructions referred to in this Section 3.14, and stop transfer instructions to give effect to Section 3.15 hereof (in the case of the M Shares, prior to registration of the Shares under the Securities Act) will be given by the Purchaser to its transfer agent and that the M Shares, the MA Warrant or the MB Warrant shall otherwise be freely transferable on the books and records of the Purchaser as and to the extent provided in this Agreement and the Transaction Documents. The Purchaser acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Company by violating the intent and purpose of the transactions contemplated hereby. Accordingly, the Purchaser acknowledges that the remedy at law for a breach of its obligations under this Section 3.14 will be inadequate and agrees, in the event of a beach or threatened breach by the Purchaser of the provisions of this Section 3.14, that the Company, shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

3.15 Purchaser Transfer Restrictions.

a.If the Company should decide to dispose of the M Shares, the MA Warrant or the MB Warrant held by it, the Company understands and agrees that it may do so only pursuant to an effective registration statement under the Securities Act, to the Company or pursuant to an available exemption from the registration requirements of the Securities Act, including Rule 144 promulgated under the Securities Act ("Rule 144"). In connection with any transfer of any M Shares, MA Warrant or MB Warrant other than pursuant to an effective registration statement, Rule 144 or to the Purchaser, the Purchaser may require the transferor thereof to provide to the Purchaser a written opinion of counsel experienced in the area of United States securities laws selected by the transferor, the form and substance of which opinion shall be customary for opinions of counsel in comparable transactions, to the effect that such transfer does not require registration of such transferred securities under the Securities Act; provided, however, that if the M Shares, MA Warrant or MB Warrant may be sold pursuant to Rule 144(k), no written opinion of counsel shall be required from the Company if the Company provides reasonable assurances that such security can be sold pursuant to Rule 144(k). Notwithstanding the foregoing, the Purchaser hereby consents to and agrees to register any transfer by the Company to an Affiliate of the Company, provided that the transferee certifies to the Purchaser that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act. Any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Company under this Agreement and the Transaction Documents. If the Company provides the Purchaser with an opinion of counsel, the form and substance of which opinion shall be customary for opinions of counsel in comparable transactions, to the effect that a public sale, assignment or transfer of the M Shares, MA Warrant and MB Warrant may be made

without registration under the Securities Act or the Purchaser provides the Company with reasonable assurances that the M Shares, MA Warrant and the MB Warrant can be sold pursuant to Rule 144 without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold, the Purchaser shall permit the transfer, and, in the case of the M Shares, promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by the Company and without any restrictive legend. Notwithstanding the foregoing or anything else contained herein to the contrary, the securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

b.The Company agrees to the imprinting by the Purchaser, so long as is required by this Section 3.15(b), of the following legend on the M Shares, the MA Warrant and the MB Warrant:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Neither the M Shares, the MA Warrant nor the MB Warrant shall be required to contain the legend set forth above (or any other legend) (i) at any time after transfer pursuant to a registration statement is effective under the Securities Act covering such security, (ii) if in the written opinion of counsel to the Purchaser of the Company experienced in the area of United States securities laws such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) or (iii) if such M Shares, the MA Warrant or the MB Warrant are sold pursuant to Rule 144. When requested, which request will be accompanied by the certificate representing such shares, the Purchaser agrees that it will provide the Company with a certificate or certificates representing the M Shares, the MA Warrant or the MB Warrant, free from such legend at such time as such legend is no longer required hereunder. If such certificate or certificates had previously been issued with such a legend or any other legend, the Purchaser shall, upon request, receive such certificate or certificates free of any legend.

3.16Purchaser Stop Transfer Instruction. The Purchaser may not make any notation on its records or give instructions to any transfer agent of the Company which enlarge the restrictions on transfer set forth in Section 3.14.

3.17Purchaser Furnishing of Information. Until the M Shares, the MA Warrant or the MB Warrant have been sold pursuant to a registration statement under the Securities Act or are eligible for sale pursuant to Rule 144(k), the Purchaser will cause its M Shares to continue at all times to be registered under Section 12(g) of the Exchange Act, will timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Purchaser after the date hereof pursuant to Section 13, 14 or 15(d) of the Exchange Act and, unless filed by EDGAR, promptly furnish, but in no event later than two (2) business days after the filing thereof with the Commission, the Company with true and complete copies of all such filings, and will not take any action or file any document (whether or not permitted by the Exchange Act or the rules thereunder) to terminate or suspend such reporting

and filing obligations. Until the M Shares, the MA Warrant or the MB Warrant have been sold pursuant to a registration statement under the Securities Act or are eligible for sale pursuant to Rule 144(k), if the Purchaser is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Company and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Purchaser further covenants that it will take such further action as any holder of the M Shares, the MA Warrant or the MB Warrant may reasonably request, all to the extent required from time to time to enable such Person to sell the M Shares, the MA Warrant or the MB Warrant without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, including the legal opinion referenced above in Section 3.15(b).

3.18Purchaser Blue Sky Laws. In accordance with the MTI Registration Rights Agreement, the Purchaser shall (i) qualify the M Shares under the securities or "blue sky" laws of such jurisdictions as the Company may request (or to obtain an exemption from such qualification), (ii) shall provide evidence of any such action so taken to the Company on or prior to the Primary Closing Date and (iii) shall continue such qualification at all times through the resale of all M Shares, but in any event not past the 4th anniversary of the Primary Closing Date.

3.19 Purchaser Listing and Reservation of M Shares.

a.The Purchaser shall (i) not later than three (3) business days after each Closing Date prepare and file with Nasdaq (as well as any other national securities exchange or market on which the common stock is then listed) an additional shares listing application or a letter acceptable to Nasdaq covering and listing a number of shares of common stock which are issuable pursuant to the Warrants issuable at such Closing which is at least equal to 1 times the maximum number of M Shares then issuable, (ii) take all steps necessary to cause such shares of common stock to be approved for listing on Nasdaq (as well as on any other national securities exchange or market on which the Common Stock is then listed) as soon as possible thereafter, (iii) maintain, so long as any other shares of common stock shall be so listed, such listing of all such M Shares, and (iv) provide to the Company evidence of such listing. Neither the Purchaser nor any of its Subsidiaries shall take any action which may result in the delisting or suspension of the common stock on Nasdaq. The Purchaser shall pay all fees and expenses in connection with satisfying its obligations under this Section 3.19(a).

b.The Purchaser at all times shall reserve a sufficient number of shares of its authorized but unissued common stock to provide for 1 times the full exercise of the outstanding Warrants. If at any time the number of shares of common stock authorized and reserved for issuance is insufficient to cover 100% of the number of Warrant Shares issued and issuable upon exercise of the warrants (based on the Exercise Price (as defined in the Warrants) of the Warrants in effect from time to time) without regard to any limitation on conversions or exercises, the Purchaser will promptly take all corporate action necessary to authorize and reserve 100% of such shares, including, without limitation, calling a special meeting of stockholders to authorize additional shares to meet the Company's obligations under this Section 3.19(b), in the case of an insufficient number of authorized shares, and using its best efforts

to obtain stockholder approval of an increase in such authorized number of shares. 3.20Ordinary Course Brokerage and Trading. The Purchaser represents and agrees that neither Purchaser, nor any person that is required by internal policy to pre-clear securities transactions with the Purchaser will, enter into any short sales of the Company's common stock, except in connection with an intended sale of common stock, and in such event, only to the extent covered within seven (7) Trading Days of such short sale. In addition, the Purchaser represents and agrees on behalf of itself and each of the persons identified in the preceding sentence that it will not establish a short position or sell any of the Shares during (i) the twenty (20) Trading Day period prior to the one (1) year anniversary of the Primary Closing Date or (ii) the seventy five (75) Trading Days ending on August 28, 2003 and 2006.

ARTICLE IV.

CONDITIONS

4.1 Primary Closing Conditions.

a.Conditions Precedent to the Obligation of the Company to Sell. The obligation of the Company to sell the Shares, the A Warrant, the B Warrant or the Warrant Shares hereunder is subject to the satisfaction or waiver (with prior written notice to the Purchaser) by the Company, at or before the Primary Closing, of each of the following conditions:

(1) Accuracy of the Purchaser's Representations and Warranties. The representations and warranties of the Purchaser in this Agreement shall be true and correct in all material respects as of the date when made (except for representations and warranties that speak as of a specific date) and as of the Closing Date;

(2)Performance by the Purchaser. The Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to the Primary Closing; and

(3)No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement or the Transaction Documents.

(4)Shares of Common Stock.The Purchaser shall have duly reserved the number of M Shares required by this Agreement and the Transaction Documents to be reserved for issuance upon exercise of the MA Warrant;

(5)Transfer Agent Instructions. The Primary Closing Irrevocable Transfer Agent Instructions, in a form acceptable to the Company, shall have been delivered to and acknowledged in writing by the Purchaser's transfer agent with a copy forwarded to each Company;

(6)Resolutions. The Board of Directors of the Purchaser shall have adopted resolutions consistent with Section 2.1(b) and in a form reasonably acceptable to the Company (the "Resolutions");

(7)Litigation. No litigation shall have been instituted or threatened against the Purchaser which could reasonably be expected to, individually or in the aggregate, have an MTI Material Adverse Effect; and

(8)Adverse Changes. Since the date of the financial statements included in the Purchaser's Quarterly Report on Form 10-Q or Annual Report on Form 10-K, whichever is most recent, last filed prior to the date of this Agreement, no event which had a Material Adverse Effect shall have occurred which is not disclosed in the Schedules hereto (for purposes hereof, changes in the market price of the Common Stock may be considered in determining whether there has occurred an event which has had an MTI Material Adverse Effect).

b.Conditions Precedent to the Obligation of the Purchaser to Purchase. The obligation of the Purchaser hereunder to acquire and pay for the Primary Closing Shares and the A Warrant is subject to the satisfaction or waiver (with prior written notice to the Company) by the Purchaser, at or before the Primary Closing, of each of the following conditions:

(1) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all respects as of the date when made and as of the Primary Closing Date as though made at that time (except for representations and warranties that speak as of a specific date);

(2)Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Primary Closing;

(3)No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement and the Transaction Documents;

(4)No Suspensions of Trading in Common Stock. The trading in the Common Stock shall not have been suspended by the Commission or on Nasdaq (except for any suspension of trading of limited duration solely to permit dissemination of material information regarding the Company);

(5)Listing of Common Stock. The Common Stock shall have been at all times since the date hereof, and on the Primary Closing Date shall be, listed for trading on Nasdaq;

(6)Required Approvals. All Required Approvals shall have been obtained and copies thereof delivered to the Purchaser;

(7)Shares of Common Stock. The Company shall have duly reserved the number of Warrant Shares required by this Agreement and the Transaction Documents to be reserved for issuance upon exercise of the A Warrant;

(8)Change of Control. No Change of Control shall have occurred between the date hereof and the Closing Date. "Change of Control" means the occurrence of any of (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act), other than the Purchaser or any of their Affiliates, of in excess of 40% of the voting securities of the Company, (ii) a replacement of more than one-half of the members of the Company's Board of Directors which is not approved by those individuals who are members of the Board of Directors on the date hereof in one or a series of related transactions, (iii) the merger of the Company with or into another entity, consolidation or sale of all or substantially all of the assets of the Company in one or a series of related transactions, or (v) the execution by the Company of an agreement to which the

Company is a party or by which it is bound, providing for any of the events set forth above in (i), (ii) , (iii), (iv) or (v);

(9)Transfer Agent Instructions. The Primary Closing Irrevocable Transfer Agent Instructions, in a form acceptable to the Purchaser, shall have been delivered to and acknowledged in writing by the Company's transfer agent with a copy forwarded to each Purchaser;

(10)Resolutions. The Board of Directors of the Company shall have adopted resolutions consistent with Section 2.1(b) and in a form reasonably acceptable to the Purchaser (the "Resolutions");

(11)Litigation. No litigation shall have been instituted or threatened against the Company which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and

(12)Adverse Changes. Since the date of the financial statements included in the Company's Quarterly Report on Form 10-Q or Annual Report on Form 10-K, whichever is most recent, last filed prior to the date of this Agreement, no event which had a Material Adverse Effect shall have occurred which is not disclosed in the Schedules hereto (for purposes hereof, changes in the market price of the Common Stock may be considered in determining whether there has occurred an event which has had a Material Adverse Effect).

c.Documents and Certificates. At the Primary Closing, the Company shall have delivered to the Purchaser the following in form and substance reasonably satisfactory to the Purchaser:

(1) Opinion. An opinion of the Company's legal counsel in the form attached hereto as Exhibit D dated as of the Primary Closing Date;

(2)Common Stock Certificate. A Common Stock Certificate(s) representing the Primary Closing Shares, registered in the name of the Purchaser, in form satisfactory to the Purchaser;

(3)Warrant. A warrant representing the A Warrant purchased by the Purchaser, registered in the name of the Purchaser;

(4)Registration Rights. The Company shall have executed and delivered the SatCon Registration Rights Agreement;

(5) Officer's Certificate. An Officer's Certificate dated the Primary Closing Date and signed by an executive officer of the Company confirming the accuracy of the Company's representations, warranties and covenants as of the Primary Closing Date and confirming the compliance by the Company with the conditions precedent set forth in this Section 4.1 as of the Primary Closing Date;

(6) Secretary's Certificate. A Secretary's Certificate dated the Primary Closing Date and signed by the Secretary or Assistant Secretary of the Company certifying (A) that attached thereto is a true and complete copy of the Certificate of Incorporation of the Company, as in effect on the Closing Date, (B) that attached thereto is a true and complete copy of the by-laws of the Company, as in effect on the Closing Date and (C) that attached thereto is a true and complete copy of the Resolutions duly adopted by the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement and of the Transaction Documents, and that such Resolutions have not been modified, rescinded or revoked;

(7)Certificates of Incorporation. The Company shall have delivered to the Purchaser a copy of a certificate evidencing the incorporation and good standing of the Company and each Subsidiary, in such corporation's state of incorporation issued by the Secretary of State of such state of incorporation as of a date within ten days of the Primary Closing Date. The Company shall have delivered to the Purchaser a copy of its Certificate of Incorporation as certified by the Secretary of State of the State of Delaware within ten days of the Primary Closing Date;

(8)Transfer Agent Letter. The Company shall have delivered to the Purchaser a letter from the Company's transfer agent certifying the number of shares of Common Stock outstanding as of a date within five days of the Primary Closing Date; and

(9)Other Documents. The Company shall have delivered to each Purchaser

such other documents relating to the transactions contemplated by the Transaction Documents as the Purchaser or its counsel may reasonably request.

d.Purchaser Documents and Certificates. At the Primary Closing, the Purchaser shall have delivered to the Company the following in form and substance reasonably satisfactory to the Company:

(1)Cash Payment.The Purchaser shall deliver, as directed by the Company, two million, five hundred seventy thousand dollars ($2,570,000) in United States dollars in immediately available funds to an account or accounts designated in writing by the Company;

(2)Warrant. A warrant representing the MA Warrant purchased by the Company, registered in the name of the Company;

(3)Registration Rights. The Purchaser shall have executed and delivered the MTI Registration Rights Agreement; and

(4) Officer's Certificate. An Officer's Certificate dated the Primary Closing Date and signed by an executive officer of the Purchaser confirming the accuracy of the Purchaser's representations, warranties and covenants as of the Primary Closing Date and confirming the compliance by the Purchaser with the conditions precedent set forth in this Section 4.1 as of the Primary Closing Date;

4.2Secondary Closing Conditions.

a.Conditions Precedent to the Obligation of the Company to Sell. The obligation of the Company to sell the Secondary Closing Shares and the B Warrant hereunder is subject to the satisfaction or waiver (with prior written notice to the Purchaser) by the Company, at or before the Secondary Closing, of each of the following conditions:

(1) Accuracy of the Purchaser's Representations and Warranties. The representations and warranties of the Purchaser in this Agreement shall be true and correct in all material respects as of the date when made (except for representations and warranties that speak as of a specific date) and as of the Secondary Closing Date;

(2)Performance by the Purchaser. The Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Purchaser at or prior to the Secondary Closing; and

(3)No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement or the Transaction Documents.

(4)Shares of Common Stock.The Purchaser shall have duly reserved the number of M Shares required by this Agreement and the Transaction Documents to be reserved for issuance upon exercise of the MB Warrant;

(5)Transfer Agent Instructions. The Secondary Closing Irrevocable Transfer Agent Instructions, in a form acceptable to the Company, shall have been delivered to and acknowledged in writing by the Purchaser's transfer agent with a copy forwarded to each Company;

(6)Resolutions. The Board of Directors of the Purchaser shall have adopted resolutions consistent with Section 2.2(b) and in a form reasonably acceptable to the Company (the "Resolutions");

(7)Litigation. No litigation shall have been instituted or threatened against the Purchaser which could reasonably be expected to, individually or in the aggregate, have an MTI Material Adverse Effect; and

(8)Adverse Changes. Since the date of the financial statements included in the Purchaser's Quarterly Report on Form 10-Q or Annual Report on Form 10-K, whichever is most recent, last filed prior to the date of this Agreement, no event which had a Material Adverse Effect shall have occurred which is not disclosed in the Schedules hereto (for purposes hereof, changes in the market price of the Common Stock may be considered in determining whether there has occurred an event which has had an MTI Material Adverse Effect).

b.Conditions Precedent to the Obligation of the Purchaser to Purchase. The obligation of the Purchaser hereunder to acquire and pay for the Secondary Closing Shares and the B Warrant at the Secondary Closing is subject to the satisfaction or waiver (with prior written notice to the Company) by the Purchaser, as of the date of the Secondary Closing, of each of the following conditions:

(1) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the date when made and as of the Secondary Closing Date as though made at that time (except for representations and warranties that speak as of a specific date);

(2)Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Secondary Closing;

(3)No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement and the Transaction Documents;

(4)No Suspensions of Trading in Common Stock. The trading in the Common Stock shall not have been suspended by the Commission or on Nasdaq (except for any suspension of trading of limited duration solely to permit dissemination of material information regarding the Company);

(5)Listing of Common Stock. The Common Stock shall have been at all times since the date hereof, and on the Secondary Closing Date shall be, listed for trading on Nasdaq;

(6)Required Approvals. All Required Approvals shall have been obtained and copies thereof delivered to such Purchaser;

(7)Shares of Common Stock. The Company shall have duly reserved the number of Warrant Shares required by this Agreement and the Transaction Documents to be reserved for issuance upon exercise of the Warrants;

(8)Change of Control. No Change of Control shall have occurred between the date hereof and the Secondary Closing Date. "Change of Control" means the occurrence of any of (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act), other than the Purchasers or any of their Affiliates, of in excess of 40% of the voting securities of the Company, (ii) a replacement of more than one-half of the members of the Company's Board of Directors which is not approved by those individuals who are members of the Board of Directors on the date hereof in one or a series of related transactions, (iii) the merger of the Company with or into another entity, consolidation or sale of all or substantially all of the assets of the Company in one or a series of related transactions, or (v) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (i), (ii) , (iii), (iv) or (v);

(9)Transfer Agent Instructions. The Irrevocable Transfer Agent Instructions, in a form acceptable to the Purchaser, shall have been delivered to and acknowledged in writing by the Company's transfer agent with a copy forwarded to the Purchaser;

(10)Litigation. No litigation shall have been instituted or threatened against the Company which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and

(11)Adverse Changes. Since the date of the Primary Closing, no event which had a Material Adverse Effect shall have occurred which is not disclosed in the Schedules hereto (for purposes hereof, changes in the market price of the Common Stock may be considered in determining whether there has occurred an event which has had a Material Adverse Effect but shall not themselves constitute a Material Adverse Effect).

c.Documents and Certificates. At the Secondary Closing, the Company shall have delivered to the Purchaser the following in form and substance reasonably satisfactory to the Purchaser:

(1)Stock Certificate. A Stock Certificate representing the Secondary Closing Shares, registered in the name of the Purchaser, in form satisfactory to the Purchaser;

(2)Warrant. A warrant representing the B Warrant purchased by the Purchaser, registered in the name of the Purchaser;

(3) Officer's Certificate. An Officer's Certificate dated the Secondary Closing Date and signed by an executive officer of the Company confirming the accuracy of the Company's representations, warranties and covenants as of the Secondary Closing Date and confirming the compliance by the Company with the Milestones and the conditions precedent set forth in this Section 4.1 as of the Secondary Closing Date;

(4)Certificates of Incorporation. The Company shall have delivered to each of the Purchasers a copy of a certificate evidencing the incorporation and good standing of the Company and each Subsidiary, in such corporation's state of incorporation issued by the Secretary of State of such state of incorporation as of a date within ten days of the Secondary Closing Date. The Company shall have delivered to the Purchaser a copy of its Certificate of Incorporation as certified by the Secretary of State of the State of Delaware within ten days of the Secondary Closing Date; and

(5)Other Documents. The Company shall have delivered to the Purchaser such other documents relating to the transactions contemplated by the Transaction Documents as the Purchaser or its counsel may reasonably request.

d.Purchaser Documents and Certificates. At the Secondary Closing, the Purchaser shall have delivered to the Company the following in form and substance reasonably satisfactory to the Company:

(1)Cash Payment.The Purchaser shall deliver, as directed by the Company, four million, five hundred thousand dollars ($4,500,000) in United States dollars in immediately available funds to an account or accounts designated in writing by the Company;

(2)Warrant. A warrant representing the MB Warrant purchased by the Company, registered in the name of the Company;

(3) Officer's Certificate. An Officer's Certificate dated the Secondary Closing Date and signed by an executive officer of the Purchaser confirming the accuracy of the Purchaser's representations, warranties and covenants as of the Secondary Closing Date and confirming the compliance by the Purchaser with the conditions precedent set forth in this Section 4.2 as of the Secondary Closing Date;

ARTICLE V.

INDEMNIFICATION

5.1Indemnification. In addition to all of the Company's other obligations under this Agreement and the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless the Purchaser, its past and present Affiliates and their successors and assigns (in accordance with the provisions of Section 6.5 hereof), each other holder of the Warrant Shares and all of their stockholders, officers, directors, employees and direct or indirect investors and any of the foregoing Person's agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, proceedings, costs (as incurred), penalties, fees (including legal fees and expenses), liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnity is a party to the action for which indemnification hereunder is sought), and including interest, penalties and attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or in the Transaction Documents, or any other certificate, instrument or document contemplated hereby or thereby or (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Transaction Documents, or any other certificate, instrument or document contemplated hereby or thereby. The indemnification

obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any affiliate of the Purchaser and officers, directors, agents, employees and controlling Persons (if any), as the case may be, of the Purchaser and any such affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Purchaser and any such affiliate and any such Person. The Company also agrees that neither the Purchaser nor any such Affiliates, officers, directors, agents, employees or controlling Persons shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company in connection with or as a result of the consummation of this Agreement or any of the Transaction Documents except to the extent that any losses, claims, damages, liabilities or expenses incurred by the Company result from the gross negligence or willful misconduct of the Purchaser or entity in connection with the transactions contemplated by this Agreement or the Transaction Documents. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

5.2 Purchaser Indemnification. In addition to all of the Purchaser's other obligations under this Agreement and the Transaction Documents, the Purchaser shall defend, protect, indemnify and hold harmless the Company, its past and present Affiliates and their successors and assigns (in accordance with the provisions of Section 6.5 hereof), each other holder of the M Shares and all of their stockholders, officers, directors, employees and direct or indirect investors and any of the foregoing Person's agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, proceedings, costs (as incurred), penalties, fees (including legal fees and expenses), liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnity is a party to the action for which indemnification hereunder is sought), and including interest, penalties and attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Purchaser in this Agreement or in the Transaction Documents, or any other certificate, instrument or document contemplated hereby or thereby or (b) any breach of any covenant, agreement or obligation of the Purchaser contained in this Agreement or the Transaction Documents, or any other certificate, instrument or document contemplated hereby or thereby. The indemnification obligations of the Purchaser under this paragraph shall be in addition to any liability which the Purchaser may otherwise have, shall extend upon the same terms and conditions to any affiliate of the Company and officers, directors, agents, employees and controlling Persons (if any), as the case may be, of the Company and any such affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Purchaser, the Company and any such affiliate and any such Person. The Purchaser also agrees that neither the Company nor any such Affiliates, officers, directors, agents, employees or controlling Persons shall have any liability to the Purchaser or any Person asserting claims on behalf of or in right of the Purchaser in connection with or as a result of the consummation of this Agreement or any of the Transaction Documents except to the extent that any losses, claims, damages, liabilities or expenses incurred by the Purchaser result from the gross negligence or willful misconduct of the Company or entity in connection with the transactions contemplated by this Agreement or the Transaction Documents. To the extent that the foregoing undertaking by the Purchaser may be unenforceable for any reason, the Purchaser shall make the

maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

5.3Procedures.

a.If a third party shall notify an indemnified party (the "Indemnified Party") with respect to any matter that may give rise to a claim for indemnification under the indemnity set forth above in Sections 5.1 and 5.2, the procedure set forth below shall be followed.

(1)Notice. The Indemnified Party shall give to the party providing indemnification (the "Indemnifying Party") written notice of any claim, suit, judgment or matter for which indemnity may be sought under Section 6.1 promptly but in any event within thirty days after the Indemnified Party receives notice thereof; provided, however, that failure by the Indemnified Party to give such

notice shall not relieve the Indemnifying Party from any liability it shall otherwise have pursuant to this Agreement except to the extent that the Indemnifying Party is actually prejudiced by such failure. Such notice shall set forth in reasonable detail (i) the basis for such potential claim and (ii) the dollar amount of such claim.

(2)Defense of Claim. With respect to a claim by a third party against an Indemnified Party for which indemnification may be sought under this Agreement, the Indemnifying Party shall have the right, at its option, to be represented by counsel of its choice and to assume the defense or otherwise control the handling of any claim, suit, judgment or matter for which indemnify is sought, which is set forth in the notice sent by the Indemnified Party, by notifying the Indemnified Party in writing to such effect within fifteen days of receipt of such notice; provided, however, that the Indemnified Party shall have the right to employ counsel to represent it if, in the Indemnified Party's reasonable judgment based upon the advice of counsel, it is advisable in light of the separate interests of the Indemnified Party, to be represented by separate counsel, and in that event the reasonable fees and expenses of such separate counsel shall be paid by the Indemnifying Party. If the Indemnifying Party does not give timely notice in accordance with the preceding sentence, the Indemnifying Party shall be deemed to have given notice that it does not wish to control the handling of such claim, suit or judgment. In the event the Indemnifying Party elects (by notice in writing within such fifteen day period) to assume the defense of or otherwise control the handling of any such claim, suit, judgment or matter for which indemnity is sought, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against any and all reasonable professional fees (including attorneys' fees, accountants, consultants and engineering fees) and investigation expenses incurred by the Indemnifying Party prior to such election, notwithstanding the fact that the Indemnifying Party may not have been so liable to the Indemnified Party had the Indemnifying Party not elected to assume the defense of or to otherwise control the handling of such claim, suit, judgment or other matter. In the event that the Indemnifying Party does not assume the defense or otherwise control the handling of such matter, the Indemnified Party may retain counsel, as an indemnification expense, to defend such claim, suit, judgment or matter.

(3)Final Authority. The parties shall cooperate in the defense of any such claim or litigation and each shall make available all books and records which are relevant in connection with such claim or litigation. In connection with any claim, suit or other proceeding with respect to which the Indemnifying Party has assumed the defense or control, the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to any matter which does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with

respect thereto, without the written consent of the Indemnified Party. In connection with any claim, suit or other proceeding with respect to which the Indemnifying Party has not assumed the defense or control, the Indemnified Party may not compromise or settle such claim without the consent of the Indemnifying Party, which shall not be unreasonably withheld and shall be deemed to have been given if the Indemnified Party provides the Indemnifying Party with a written notice setting forth the material terms of such compromise or settlement and the Indemnifying Party does not object thereto in writing within ten days of its receipt of such notice.

ARTICLE VI.

MISCELLANEOUS

6.1Entire Agreement. This Agreement, together with the Exhibits and Schedules hereto and the Transaction Documents contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters.

6.2Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile, provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party (if received by 7:00 p.m. EST where such notice is received) or the first business day following such delivery (if received after 7:00 p.m. EST where such notice is received); or (iii) one business day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The

addresses and facsimile numbers for such communications shall be:

If to the Company:

SatCon Technology Corporation
161 First Street
Cambridge, MA 02142-1221
Telephone: (617)
Facsimile: (617) 576-7455
Attention: President and Chief Executive Officer

With a copy to:

Hale & Dorr LLP
60 State Street
Boston, MA 02109
Telephone: (617) 526-6468
Facsimile: (617) 526-5000
Attention: Jeffrey N. Carp, Esq.

If to Mechanical Technology Incorporated:

968 Albany-Shaker Road
Latham, New York 12110
Telephone: (518) 785-2211
Facsimile: (518) 785-2127
Attention: Cynthia A. Scheuer, Chief Financial Officer

With a copy, in the case of Notice to Mechanical Technology Incorporated, to:

Catherine S. Hill, PLLC
4 Global View
Troy, New York 12180
Telephone: (518) 285-7586
Facsimile: (518) 285-7564
Attention: Catherine S. Hill

Each party shall provide written notice to the other party of any change in address or facsimile number in accordance with the provisions hereof.

6.3Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by both the Company and each of the Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

6.4Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

6.5Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Neither the Company nor the Purchaser may assign this Agreement or any rights or obligations hereunder without the prior written consent of each of the other party hereto. This provision shall not limit either the Purchaser's right or the Company's right to transfer securities in accordance with all of the terms of this Agreement or the Transaction Documents.

6.6No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

6.7Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof. Each party hereby irrevocably submits to the nonexclusive jurisdiction of the federal courts sitting in the City of Albany, County of Albany or if diversity jurisdiction cannot be obtained, then in the state courts sitting in the City of Albany,

County of Albany for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO

REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

6.8Survival. The representations and warranties of the Company and the Purchaser contained in Sections 2.1 and 2.2, the agreements and covenants set forth in Section 3, and the indemnification provisions set forth in Section 5, shall survive the Closing and any exercise of the A Warrant, the B Warrant and the M Warrant regardless of any investigation made by or on behalf of the Purchaser or by or on behalf of the Company, except that, in the case of representations, warranties and indemnities such survival shall be limited to the period of 18 months following the Closing Date on which they were made or deemed to have been made, except for representations in 2.1(a), 2.1(b), 2.1(d), 2.1(i) and 2.1(v) which shall survive for the applicable statute of limitations and 2.1(j) which shall survive for the period of two (2) years. This section shall have no effect on the survival of the indemnification provisions of the Registration Rights Agreement.

6.9Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original thereof.

6.10Publicity. The Company and the Purchaser shall consult with each other in issuing any press releases or otherwise making public statements with respect to the transactions contemplated hereby and neither party shall issue any such press release or otherwise make any such public statement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed, except that no prior consent shall be required if such disclosure is required by law, in which such case the disclosing party shall provide the other party with prior notice of such public statement. The Company shall not publicly or otherwise disclose the names of the Purchaser without the Purchaser's prior written consent. Subject to the Company's review and approval, the Purchaser and its affiliated companies shall, without further cost, have the right to use in its advertising, marketing or other similar materials, the Company's logo and trademarks and all or parts of the Company's press releases that focus on the Transaction forming the subject matter of this Agreement or which make reference to the Transaction; provided, however, that Company approval is not required with regard to formal newspaper announcements of transactions or "tombstones." The Purchaser understands that this grant by the Company only waives objections that the Company might have to the use of such materials by the Purchaser and in no way constitutes a representation by the Company that references in such materials to the activities of third-parties have been cleared or constitute a fair use.

6.11Severability. In case any one or more of the provisions of this Agreement shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision which shall be a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

6.12Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Purchaser will be entitled to specific performance of the obligations of the Company under this Agreement or the Transaction Documents without the showing of economic loss and without any bond or other security being required. The Company and the Purchaser (severally and not jointly) agree that monetary damages would not be adequate compensation for any loss incurred by reason of any breach of its obligations described in the foregoing sentence and hereby agree to waive in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

6.13Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

6.14Fees and Expenses. Except as set forth in the Registration Rights Agreement, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all stamp and other taxes and duties levied in connection with the issuance of the Warrant Shares pursuant hereto.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

SATCON TECHNOLOGY CORPORATION

By:/s/Daniel B. Eisenhaure
Name:Daniel B. Eisenhaure
Title:President and Chief Executive Officer

MECHANICAL TECHNOLOGY
INCORPORATED

By:/s/Cynthia A. Scheuer
Name:Cynthia A. Scheuer
Title:Vice President/Chief Financial Officer

EXHIBIT A

Form of SatCon Warrant

EXHIBIT B

Form of MTI Warrant

EXHIBIT C

Form of SatCon Registration Rights Agreement

EXHIBIT D

Form of MTI Registration Rights Agreement

EXHIBIT E

Form of Legal Opinion

Exhibit 10.34

MTI REGISTRATION RIGHTS AGREEMENT

This MTI Registration Rights Agreement (this "Agreement") is made and entered into as of October 21, 1999, between Mechanical Technology Incorporated, a New York corporation (the "Company"), and SatCon Technology Corporation, a Delaware corporation (the "Purchaser").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof among the Company and the Purchasers (the "Purchase Agreement").

The Company and the Purchasers hereby agree as follows:

1.Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "affiliated," controlling" and "controlled" have meanings correlative to the foregoing.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's Common Stock, par value $1.00 per share.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" has the meaning set forth in Section 4(c) hereof.

"Indemnifying Party" has the meaning set forth in Section 4(c) hereof.

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Registrable Securities" means the shares of Common Stock issued or issuable upon exercise of the Warrants, and any shares of the Company's capital stock issued as a result of any stock split, stock dividend, recapitalization, exchange or similar event; provided, that Registrable Securities shall not include any such shares that are eligible for sale under Rule 144(k).

"Registration Statement" means the Initial Registration Statement and any additional registration statements contemplated by Section 3, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference in such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 158" means Rule 158 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities" means the Company's Common Stock issuable pursuant to the Purchase Agreement.

"Securities Act" means the Securities Act of 1933, as amended.

"Underlying Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

"Underwritten Registration or Underwritten Offering" means a registration in connection with which securities of the Company are sold to an underwriter for reoffering to the public pursuant to an effective registration statement.

"Warrants" means the warrants issuable to the Purchaser pursuant to the Purchase Agreement.

2. Piggyback Registrations. Except as provided herein if, at any time when there is not an effective Registration Statement covering the Registrable Securities, the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-2 (but only in connection with a rights offering), S-4 or Form S- 8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely to existing shareholders or solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, the Company shall send to each Holder of Registrable Securities written notice of such determination and, if within ten (10) days after receipt of such notice, any such Holder shall so request in writing, (which request shall specify the Registrable Securities intended to be disposed of by the Purchasers), the Company will use reasonable efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holder, to the extent requisite to permit the disposition of the Registrable Securities so to be registered, provided that if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to such Holder and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay expenses in accordance with this Agreement), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities being registered pursuant to this

Section 2 for the same period as the delay in registering such other securities. The Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 2 that are eligible for sale pursuant to Rule 144(k) of the Securities Act. In the case of an underwritten public offering, if the managing underwriter(s) or underwriter(s) should reasonably object to the inclusion of the Registrable Securities in such registration statement, then if the Company after consultation with the Underwriter's representative should reasonably determine that the inclusion of such Registrable Securities would materially adversely affect the offering contemplated in such registration statement, and based on such determination recommends inclusion in such registration statement of fewer Registrable Securities then proposed to be sold by the Holders, then (x) the number of Registrable Securities of the Holder and other holders of piggy-back registration rights included in such registration statement shall be reduced pro rata among such Holders and other holders of piggy-back registration rights (based upon the number of Registrable Securities requested to be included in the registration) or, in the case of other holders of piggy-back registration rights, in the manner provided for in that applicable agreement, or (y) none of the Registrable Securities of the Holders shall be included in such registration statement if the Company, after consultation with the underwriter(s), recommends the inclusion of none of such Registrable Securities; provided, however, that if securities are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of Registrable Securities intended to be offered by the Holders than the fraction of similar reductions imposed on such other persons or entities (other than the Company).

3.Registration Expenses. In the event of a registration described in Section 2, all reasonable expenses of registration and of the offering effected thereby of any Holder of Registrable Securities participating in the offering, including, without limitation, printing expenses, fees and disbursements of counsel and independent public accountants, counsel to the holders fees and expenses (including counsel fees incurred in connection with complying with state securities or "blue sky" laws, fees of the National Association of Securities Dealers, Inc. and fees of transfer agents and registrars), shall be borne by the Company, except that each Holder of Registrable Securities shall bear underwriting commissions, individual counsel fees, if any, and discounts attributable to such Holder's Registrable Securities being registered.

4.Further Obligations of the Company. Whenever, under the preceding sections of this Agreement, the Company is required hereunder to register Registrable Securities, it agrees that it shall also do the following:

(a)Unless and until the distribution of all Registrable Securities requested to be registered under section 2 above is complete, diligently prepare for filing with the Commission a registration statement and such amendments and supplements to said registration statement and the prospectus used in connection therewith as may be necessary to keep said registration statement effective for a period of at least 120 days and to comply with the provisions of the Securities Act with respect to the sale of securities covered by said registration statement for the period necessary to complete the proposed public offering;

(b)Furnish to any selling Holder of Registrable Securities such copies of each preliminary and final prospectus and such other documents as such Holder may reasonably request to facilitate the public offering of its Registrable Securities;

(c) Enter into any underwriting agreement with provisions reasonably required by the proposed underwriter for the selling Holder of Registrable Securities, if any, and reasonably acceptable to the Company; and

(d) Register or qualify the Registrable Securities covered by said registration statement under the securities or "blue-sky" laws of such jurisdictions as the selling Holder of Registrable Securities may reasonably request.

5.Indemnification

(a)Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents (including any underwriters retained by such Holder in connection with the offer and sale of Registrable Securities), investment advisors and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all joint or several losses, claims, damages, liabilities, costs (including, without limitation, costs of preparation and attorneys' fees) and expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, "Losses"), as incurred, arising out of or relating to (i) any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary Prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (in the case of any Prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made), except to the extent, but only to the extent, that such untrue statements or omissions are based upon and in conformity with information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or (ii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of Registrable Securities, provided, however, that the Company shall not be required to indemnify any person with respect to a loss arising out of a sale of any Registrable Securities during any period during which the Company has advised the Holder to suspend sales pursuant to a registration statement. The Company shall not, however, be liable for any Losses to any Holder with respect to any untrue or alleged untrue statement of material fact or omission or alleged

omission of material fact if such statement or omission was made in a preliminary Prospectus and such Holder did not receive a copy of the final Prospectus (or any amendment or supplement thereto) at or prior to the confirmation of the sale of the Registrable Securities in any case where such delivery is required by the Securities Act and the untrue or alleged untrue statement of material fact or omission or alleged omission of material fact contained in such preliminary Prospectus was corrected in the final Prospectus (or any amendment or supplement thereto) and such final prospectus was provided by the Company to the Holder prior to the time of such sale. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement.

(b) Indemnification by Holder. The Holder shall indemnify and hold harmless the Company, the directors, officers, agents and employees, each Person who

controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising solely out of or based solely upon (i) any untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any form of prospectus, or arising solely out of or based solely upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company specifically for inclusion in the Registration Statement or such Prospectus and that such information was reasonably relied upon by the Company for use in the Registration Statement, such Prospectus or such form of prospectus or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of prospectus or (ii) any violation or alleged violation by the Holders of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of Registrable Securities; provided, however, that the indemnity agreement contained in this Section 4(b) shall not apply to amounts paid in settlement of any Losses if such settlement is effected without the prior written consent of such Holder. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, however, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which

consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten (10) Business Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d)Contribution. If a claim for indemnification under Section 4(a) or 4(b) is unavailable to an Indemnified Party because of a failure or refusal of a court of competent jurisdiction to enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 4(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms. In no event shall any selling Holder be required to contribute an amount under this Section 4(d) in excess of the net proceeds received by such Holder upon sale of the Registrable Securities pursuant to the Registration Statement giving rise to such contribution obligation.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Rule 144.

During the period commencing on the date hereof and ending on the second anniversary of the Secondary Closing (as defined in the Purchase Agreement), as long as any Holder owns Registrable Securities, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act. During the period commencing on the date hereof and ending on the second anniversary of the Secondary Closing (as defined in the Purchase Agreement), as long as any Holder owns Registrable Securities, if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Holders and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial

statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will use commercially reasonable efforts to take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Person to sell Underlying Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, including requesting of its counsel to provide any legal opinions referred to in the Purchase Agreement. Upon the request of any Holder, the Company shall deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requirements of this Section 5.

7.Miscellaneous

(a)Remedies. In the event of a breach by the Company or by a Holder of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b)No Inconsistent Agreements. Neither the Company nor any of its subsidiaries has, as of the date hereof, nor shall the Company or any of its subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holder in this Agreement or otherwise conflicts with or limits the provisions hereof. Neither the Company nor any of its subsidiaries currently has in force or effect any agreement granting any registration rights with respect to any of its securities to any Person. This Agreement, together with the Purchase Agreement and SatCon Registration Rights Agreement, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters.

(c)Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given,

unless the same shall be in writing and signed by the Company and the Holders of at least two-thirds of the then outstanding Registrable Securities; provided, however, that for the purposes of this sentence, Registrable Securities that are owned, directly or indirectly, by the Company, or an Affiliate of the Company are not deemed outstanding. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holder and that does not directly or indirectly affect the rights of other Holder may be given by Holders of at least a majority of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(d)Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received), telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if received by 5:00 p.m. eastern time where such notice is to be received), or the first Business Day following such delivery (if received after 5:00 p.m. eastern time where such notice is to be received) or (b) on the second Business Day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications are (i) if to the Purchaser to SatCon Technology Corporation, 161 First Street, Cambridge, MA 02142-1221, Attn: President and Chief Executive Officer, fax no. (617) 576-7455, with copies to Hale & Dorr LLP, 60 State Street, Boston, MA 02109, Attn: Jeffrey N. Carp, Esq., fax no. (617) 526-5000 and (ii) if to Company to Mechanical Technology Incorporated, 968 Albany-Shaker Road, Latham, New York 12110. Attention: Chief Financial Officer with copies to Catherine S. Hill,

PLLC, 4 Global View, Troy, New York 12180 Attn: Catherine S. Hill, Esq., fax no. (518) 285- 7564 or such other address as may be designated in writing hereafter, in the same manner, by such Person.

(e)Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of the Holder. The Company may not assign its rights or obligations hereunder without the prior written consent of the Holder. The Holder may assign its rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement. In addition, the rights of the Holder hereunder, including the right to have the Company register for resale Registrable Securities in accordance with the terms of this Agreement, shall be automatically assignable by the Holder if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned, (iii) following such transfer or assignment the further disposition of such securities by the transferee or assignees is restricted under the Securities Act and applicable state securities laws, (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this Section, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions of this Agreement, and (v) such transfer shall have been made in accordance with the applicable requirements of the Purchase Agreement. The rights to assignment shall apply to the Holders (and to subsequent) successors and assigns.

(f)Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(g)Governing Law. The corporate laws of the State of New York shall govern all issues concerning the relative rights of the Company and the Purchaser as its stockholders. All other questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the federal courts sitting in the City of Albany, County of Albany, or if diversity jurisdiction cannot be obtained, then in the state courts sitting in the City of Albany, County of Albany, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(h)Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(i)Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j)Headings. The headings in this Agreement are for convenience of

reference only and shall not limit or otherwise affect the meaning hereof.

(k)Shares Held by The Company and its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its Affiliates (other than any Holder or transferees or successors or assigns thereof if such Holder is deemed to be an Affiliate solely by reason of its holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(l)Revision of SEC Position on Warrants. In the event the rules and regulations of the Commission or the policies of the staff of the Commission are modified and as a result thereof the Company determines in good faith that

it may be practicable and in the interests of the Company and the Holders to register the exercise of the Warrants so that the Warrant Shares may be freely resold without maintaining an effective registration statement under the Securities Act for resales, the Company and the Holders agree to cooperate in good faith to effect such amendments to this Agreement as may be appropriate to provide that the Company may fulfill its obligations hereunder with respect to the Warrants and the Warrant Shares by maintaining an effective registration statement under the Securities Act covering the exercise of the Warrants rather than the resale of the Warrant Shares.

IN WITNESS WHEREOF, the parties have executed this MTI Registration Rights Agreement as of the date first written above.

MECHANICAL TECHNOLOGY INCORPORATED

By:/s/Cynthia A. Scheuer
Name:Cynthia A. Scheuer
Title:Vice President/Chief Financial Officer

SATCON TECHNOLOGY CORPORATION

By:/s/David B. Eisenhaure
Name:David B. Eisenhaure
Title:President/Chief Executive Officer

Exhibit 10.35

SATCON REGISTRATION RIGHTS AGREEMENT

This SatCon Registration Rights Agreement (this "Agreement") is made and entered into as of October 21, 1999, between SatCon Technology Corporation, a Delaware corporation (the "Company"), and Mechanical Technology Incorporated, a New York corporation (the "Purchaser").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof among the Company and the Purchasers (the "Purchase Agreement").
The Company and the Purchasers hereby agree as follows:

1.Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" has meaning set forth in Section 3(m) hereof.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "affiliated," controlling" and "controlled" have meanings correlative to the foregoing.

"Aggregate Price" has the meaning set forth in Section 2(d) hereof.

"AMEX" shall mean the American Stock Exchange.

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other government actions to close.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's Common Stock, par value $0.01 per share.

"Effectiveness Date" means the earlier of the 180th day following the (i) Primary Closing Date (with respect to the Common Stock and Underlying Securities issuable upon the exercise of the Warrants issued on the Primary Closing Date), (ii) Secondary Closing Date (with respect to the Common Stock and Underlying Securities issuable upon the exercise of the Warrant issued on the Secondary Closing Date or (iii) the fifth day after the Company has received notice (written or oral) from the Commission that the Commission Staff will not be reviewing the applicable Registration Statement or has no further comments on the applicable Registration Statement.

"Effectiveness Period" has the meaning set forth in Section 2(a) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Event" has the meaning set forth in Section 2(d) hereof.

"Filing Date" means as soon as practicable but in no event later than the 90th day following the Primary Closing Date or the Secondary Closing Date, as applicable.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" has the meaning set forth in Section 5(c) hereof.

"Indemnifying Party" has the meaning set forth in Section 5(c) hereof.

"Initial Registration Statement" has the meaning set forth in Section 2(a) hereof.

"Losses" has the meaning set forth in Section 5(a) hereof.

"Nasdaq" shall mean the Nasdaq Stock Market.

"NYSE" shall mean the New York Stock Exchange.

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Primary Closing Date" shall mean the Primary Closing Date as defined in the Purchase Agreement.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in the Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Registrable Securities" means the shares of Common Stock issued or issuable upon exercise of the Warrants, and any shares of the Company's capital stock issued as a result of any stock split, stock dividend, recapitalization, exchange or similar event; provided, that Registrable Securities shall not include any such shares that are eligible for sale under Rule 144(k).

"Registration Statement" means the Initial Registration Statement and any additional registration statements contemplated by Sections 2(a) and 7(d), including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference in such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 158" means Rule 158 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Secondary Closing Date" shall have the meaning set forth in the Purchase Agreement.

"Securities" means the Company's Common Stock issuable pursuant to the Purchase Agreement.

"Securities Act" means the Securities Act of 1933, as amended.

"Special Counsel" means one special counsel to the Holders, for which the Holders will be reimbursed by the Company to the extent provided in Section 4.

"Trading Day" means a day on which the Nasdaq (or in the event the Common Stock is not traded on Nasdaq, such other securities market on which the Common Stock is listed) is open for trading.

"Underlying Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

"Underwritten Registration or Underwritten Offering" means a registration in

connection with which securities of the Company are sold to an underwriter for reoffering to the public pursuant to an effective registration statement.

"Warrants" means the warrants issuable pursuant to the Purchase Agreement.

2.Registration Requirements

(a)Filing and Effectiveness Obligations. On or prior to the Filing Date relating to each of the Primary Closing Date and the Secondary Closing Date, the Company shall prepare and file with the Commission a Registration Statement (the "Initial Registration Statement") which shall cover all Registrable Securities issued to the Purchaser on such closing date for an offering to be made on a continuous basis pursuant to a "Shelf" registration statement under Rule 415. The Initial Registration Statement shall be on Form S-3 or any successor form (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith, subject to the reasonable consent of the original Holders of the Registrable Securities). The Company shall (i) not permit any securities other than the Registrable Securities and securities with respect to which there are outstanding demand or "piggy-back" registration rights as of the date of filing of each Initial Registration Statement to be included in the Initial Registration Statement and (ii) use commercially reasonable efforts to cause the Initial Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, and prior to the Effectiveness Date, and, except as provided herein, to keep such Initial Registration Statement continuously effective under the Securities Act until the date which is two years after the date that such Initial Registration Statement is declared effective by the Commission or such earlier date when all Registrable Securities covered by such Initial Registration Statement have been sold or may be sold without volume restrictions

pursuant to Rule 144 as determined by counsel to the Company pursuant to a written opinion letter, addressed to the Holders and the Company's transfer agent to such effect (the "Effectiveness Period"). The number of shares of Common Stock initially included in the Initial Registration Statement with respect to each closing shall be the sum of the number of Securities and shares of Common Stock that are then issuable upon the exercise of the Warrants which were issued by the Company at such closing, without regard to any limitation on the Investor's ability to exercise the Warrants. If at any time the number of shares of Common Stock issuable pursuant to the Warrant is adjusted in accordance with the terms thereof, and more shares are issuable pursuant to the Warrants than remain available for sale pursuant to the Initial Registration Statement, the Company shall immediately, but in no more than five (5) Business Days, file a Registration Statement sufficient to register such additional shares of Common Stock.

(b)Form S-3 Eligibility. The Company represents and warrants that it currently meets the registrant eligibility and transaction requirements for the use of Form S-3 (for primary and secondary offerings) for the registration of the sale of Registrable Securities by the Purchasers and any other Holders and the Company shall file all reports required to be filed by the Company with the Commission in a timely manner so as to maintain such eligibility for the use of Form S-3.

3.Registration Procedures

In connection with the Company's registration obligations hereunder arising out of the Primary Closing Date transactions and the Secondary Closing Date transactions (but specifically excluding the Company's obligations under Section 7(c) hereof which shall be governed by Section 7(c) of the Brown Simpson Agreement, the Company shall:

(a)Preparation of Registration Statement. Prepare and file with the Commission on or prior to each Filing Date a Registration Statement on Form S-3 or its successor form (or if the Company is not then eligible to register for resale the Registrable Securities on Form S-3 such registration shall be on another appropriate form in accordance herewith (which shall include a Plan of Distribution substantially in the form of Exhibit A annexed hereto.

(b)Amendments. (i) Prepare and file with the Commission such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the Registration Statement continuously effective for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be

amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as possible to any comments received from the Commission with respect to the Registration Statement or any amendment thereto and as promptly as possible provide the Holders true and complete copies of all correspondence from and to the Commission relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented.

(c)Notifications. Notify the Holders of Registrable Securities to be sold, as promptly as possible (and, in the case of (i)(A) below, not less than five (5) days prior to such filing and, in the case of (i)(C) below, not later than the first Business Day after effectiveness) and (if requested by any such Person) confirm such notice in writing no later than one (1) Business Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post- effective amendment to the Registration Statement is proposed to be filed; (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement and (C) with respect to the Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (vi) of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d)Suspensions. Use its reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(e)Supplements and Post-Effective Amendments. If requested by any managing underwriter or the Holders of a majority in interest of the Registrable Securities to be sold in connection with an Underwritten Offering, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information as the Company reasonably agrees should be included therein and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company shall not be required to take any action pursuant to this Section 3(e) that would, in the opinion of counsel for the Company, violate applicable law or if the Holders of a majority of the Registrable Securities consent to the delay in taking, or the failure to take, any such action, which consent shall not be unreasonably withheld.

(f)Copies of Registration Statement. Furnish to each Holder, without charge, at least one conformed copy of each Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission.

(g)Copies of Prospectus. Promptly deliver to each Holder, without charge, as many copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Persons may reasonably request; and the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders and any underwriters in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(h)Blue Sky. Prior to any public offering of Registrable Securities, use commercially reasonable efforts to register or qualify or cooperate with the selling Holders, in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder or underwriter requests in writing, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or subject the Company to any material tax in any such jurisdiction where it is not then so subject.

(i)Certificates. Cooperate with the Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by applicable law and the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such managing underwriters or Holders may request at least two (2) Business Days prior to any sale of Registrable Securities.

(j)Supplements and Amendments. Upon the occurrence of any event contemplated by Section 3(c)(vi), as promptly as possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(k)Listing. Cause all Registrable Securities relating to each Registration Statement to be listed on Nasdaq and any other securities exchange, quotation system, market or over-the-counter bulletin board, if any, on which similar securities issued by the Company are then listed as and when required pursuant to the Purchase Agreement.

(l)Earnings Statement. Comply in all material respects with all applicable rules and regulations of the Commission and make generally available to its securityholders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 not later than 45 days after the end of any 12-month period (or 90 days after the end of any 12- month period if such period is a fiscal year), commencing on the first day of the first fiscal quarter of the Company after the effective date of the Registration Statement, which statement shall conform to the requirements of Rule 158.

(m)Information. The Company may require each selling Holder to furnish to the Company information regarding such Holder and the distribution of such Registrable Securities as is required by law to be disclosed in the Registration Statement, and the Company may exclude from such registration the Registrable Securities of any such Holder who unreasonably fails to furnish such information within a reasonable time after receiving such request.

The Company shall hold in confidence and not make any disclosure of information concerning a Holder provided to the Company unless (i) disclosure of such information, in the opinion of counsel to the Company, is required by law, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) disclosure of such information is required by court or administrative order or is necessary to respond to inquiries of regulatory authorities (provided, however, that the Holder shall be given notice of any such pending disclosure so that the Holder

may seek a protective order), or (iv) such information has been made generally available to the public other than by disclosure in violation of this or any other agreement. The Company agrees that it shall, upon learning that disclosure of such information concerning a Holder is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to such Holder prior to making such disclosure, and allow the Holder, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

If the Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company, then such Holder shall have the right to require (if such reference to such Holder by name or otherwise is not required by the Securities Act or any similar Federal statute then in force) the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Holder covenants and agrees that (i) it will not sell any Registrable Securities under the Registration Statement until it has received copies of the Prospectus as then amended or supplemented as contemplated in Section 3(g) and notice from the Company that such Registration Statement and any post-effective amendments thereto have become effective as contemplated by Section 3(c) and (ii) it and its officers, directors or Affiliates, if any, will comply with the prospectus delivery requirements of the Securities Act as applicable to them in connection with sales of Registrable Securities pursuant to the Registration Statement.

Each Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c)(ii), 3(c)(iii), 3(c)(iv), 3(c)(v) or 3(c)(vi), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(j), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. Notwithstanding anything to the contrary, the Company shall cause its transfer agent to deliver unlegended shares of Common Stock to a transferee of a Holder in accordance with the terms of the Securities Purchase Agreement in connection with any sale of Registrable Securities with respect to which an Holder has entered into a contract for sale prior to the Holder's receipt of a notice from the Company of the happening of any event of the kind described in Section 3(c)(ii), 3(c)(iii), 3(c)(iv),

3(c)(v) or 3(c)(vi) and for which the Holder has not yet settled.

(n)Responses to the Commission. The Company agrees to respond fully and completely to any and all comments on a Registration Statement received from the Commission staff as promptly as possible but, for non-Underwritten Offerings, in no event later than ten (10) Business Days of the receipt of such comments, regardless of whether such comments are in oral or written form.

(o)Confirmation of Effectiveness. Within two (2) Business Days after a Registration Statement which covers applicable Registrable Securities is ordered effective by the Commission, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to the Holders whose Registrable Securities are included in such Registration Statement) confirmation that such Registration Statement has been declared effective by the Commission in the form attached hereto as Exhibit B.

(p) Notwithstanding any other provision of this Section 3, the Company may delay the filing or effectiveness of any Registration Statement or any amendment or supplement thereto and suspend the right of the Holders to effect sales of Registrable Securities thereunder for one or more periods (each a "Suspension Period") of up to 60 calendar days in the aggregate per twelve (12) month period in the event that such filing, effectiveness or sale would require the Company to disclose any non-public information that the Company is not otherwise required to disclose or to file any financial statements that the Company is not otherwise required to file, provided however, that no Suspension Period shall exceed 45 consecutive calendar days.

(q) Notwithstanding any other provision of this Section 3, the Holders shall not be permitted to effect sales of the Registrable Securities under a

Registration Statement during a period in which the Company is engaged in the process of registering under the Securities Act in an underwritten offering, for as long as the underwriter reasonably considers is necessary.

4.Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Company (other than Section 7(c) hereof which will be governed by Section 7(c) of the Brown Simpson Agreement) shall be borne by the Company, whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with Nasdaq and each other securities exchange or market on which Registrable Securities are required hereunder to be listed and (B) in compliance with state securities or Blue Sky laws (including, without limitation, fees and disbursements of counsel for the Holders in connection with Blue Sky qualifications as determined by a majority in interest of the Holders), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing prospectuses if the printing of prospectuses is requested by the holders of a majority of the Registrable Securities included in the Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) reasonable fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in

connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. The Company shall not be required to pay selling concessions, discounts or other compensation paid to brokers, underwriters or other agents in connection with the sale of any Registrable Securities, whether or not incurred in an Underwritten Offering, or fees and expenses incurred by a Holder that are not specified in this Section.

5.Indemnification

(a)Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents (including any underwriters retained by such Holder in connection with the offer and sale of Registrable Securities), investment advisors and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all joint or several losses, claims, damages, liabilities, costs (including, without limitation, costs of preparation and attorneys' fees) and expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, "Losses"), as incurred, arising out of or relating to (i) any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary Prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (in the case of any Prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made), except to the extent, but only to the extent, that such untrue statements or omissions are based upon and in conformity with information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or (ii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of Registrable Securities, provided, however, that the Company shall not be required to indemnify any person with respect to a loss arising out of a sale of any Registrable Securities during any period during which the Company has advised the Holder to suspend sales pursuant to a registration statement. The Company

shall not, however, be liable for any Losses to any Holder with respect to any untrue or alleged untrue statement of material fact or omission or alleged omission of material fact if such statement or omission was made in a preliminary Prospectus and such Holder did not receive a copy of the final Prospectus (or any amendment or supplement thereto) at or prior to the confirmation of the sale of the Registrable Securities in any case where such delivery is required by the Securities Act and the untrue or alleged untrue statement of material fact or omission or alleged omission of material fact contained in such preliminary Prospectus was corrected in the final Prospectus (or any amendment or supplement thereto), unless the failure to deliver such final Prospectus (as amended or supplemented) was a result of noncompliance by the Company with Section 3(g) of this Agreement. The Company shall notify the

Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement.

(b) Indemnification by Holder. The Holder shall indemnify and hold harmless the Company, the directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising solely out of or based solely upon (i) any untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any form of prospectus, or arising solely out of or based solely upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company specifically for inclusion in the Registration Statement or such Prospectus and that such information was reasonably relied upon by the Company for use in the Registration Statement, such Prospectus or such form of prospectus or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of prospectus or (ii) any violation or alleged violation by the Holders of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of Registrable Securities; provided, however, that the indemnity agreement contained in this Section 5(b) shall not apply to amounts paid in settlement of any Losses if such settlement is effected without the prior written consent of such Holder. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, however, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the

Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten (10) Business Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d)Contribution. If a claim for indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party because of a failure or refusal of a court of competent jurisdiction to enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms. In no event shall any selling Holder be required to contribute an amount under this Section 5(d) in excess of the net proceeds received by such Holder upon sale of the Registrable Securities pursuant to the Registration Statement giving rise to such contribution obligation.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6.Rule 144

During the Effectiveness Period, as long as any Holder owns Registrable Securities, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act. During the Effectiveness Period, as long as any Holder owns Registrable Securities, if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Holders and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial

statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will use commercially reasonable efforts to take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Person to sell Underlying Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, including requesting of its counsel to provide any legal opinions referred to in the Purchase Agreement. Upon the request of any Holder, the Company shall deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requirements of this Section 6.

7.Miscellaneous

(a)Remedies. In the event of a breach by the Company or by a Holder of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b)No Inconsistent Agreements. Neither the Company nor any of its subsidiaries has, as of the date hereof, nor shall the Company or any of its subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holder in this Agreement or otherwise conflicts with or limits the provisions hereof. Except as disclosed in Schedule 2.1(a) of the Purchase Agreement, neither the Company nor any of its subsidiaries has previously entered into any agreement granting any registration rights with respect to any of its securities to any Person. This Agreement, together with the Purchase Agreement and the MTI Registration Rights Agreement, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters.

(c)Piggy-Back Registrations. Except as provided herein if, at any time when there is not an effective Registration Statement covering the Registrable Securities, the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans (and other than a registration statement filed pursuant to Section 2(b) of the Registration Rights Agreement between the Company and Brown Simpson Capital Management, LLC (and/or its affiliated fund), the Company shall send to each Holder of Registrable Securities written notice of such determination and, if within ten (10) days after receipt of such notice, any such Holder shall so request in writing, (which request shall specify the Registrable Securities intended to be disposed of by the Purchasers), the Company will use reasonable efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holder, to the extent requisite to permit the disposition of the Registrable Securities so to be registered, provided that if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to such Holder and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay expenses in accordance with Section 4 hereof), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities being registered pursuant to this

Section 7(c) for the same period as the delay in registering such other securities. The Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 7(c) that are eligible for sale pursuant to Rule 144(k) of the Securities Act. In the case of an underwritten public offering, if the managing underwriter(s) or underwriter(s) should reasonably object to the inclusion of the Registrable Securities in such registration statement, then if the Company after consultation with the Underwriter's representative should reasonably determine that the inclusion of such Registrable Securities would materially adversely affect the offering contemplated in such registration statement, and based on such determination recommends inclusion in such registration statement of fewer Registrable Securities then proposed to be sold by the Holders, then (x) the number of Registrable Securities of the Holder and other holders of piggy-back registration rights included in such registration statement shall be reduced pro rata among such Holders and other holders of piggy-back registration rights (based upon the number of Registrable Securities requested to be included in the registration) or, in the case of other holders of piggy-back registration rights, in the manner provided for in that applicable agreement, or (y) none of the Registrable Securities of the Holders shall be included in such registration statement if the Company, after consultation with the underwriter(s), recommends the inclusion of none of such Registrable Securities; provided, however, that if securities are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of Registrable Securities intended to be offered by the Holders than the fraction of similar reductions imposed on such other persons or entities (other than the Company). Notwithstanding the foregoing, the Company shall not file any registration

statement under the Securities Act (other than on Form S-4 or Form S-8) relating to the offer and sale of any equity securities of the Company, or offer or sell any equity securities of the Company in a transaction exempt from registration pursuant to Regulation S under the Securities Act, until such time as the Initial Registration Statement has been effective for a period of sixty (60) Trading Days, which period shall be tolled if the effectiveness of the Initial Registration Statement is suspended for any reason whatsoever.

(d)Further Obligations of the Company. Whenever, under the preceding sections of this Agreement, the Company is required hereunder to register Registrable Securities pursuant to Section 7(c) above, it agrees that it shall also do the following:

(1)Unless and until the distribution of all Registrable Securities requested to be registered under section 7(c) above is complete, diligently prepare for filing with the Commission a registration statement and such amendments and supplements to said registration statement and the prospectus used in connection therewith as may be necessary to keep said registration statement effective for a period of at least 120 days and to comply with the provisions of the Securities Act with respect to the sale of securities covered by said registration statement for the period necessary to complete the proposed public offering;

(2)Furnish to any selling Holder of Registrable Securities such copies of each preliminary and final prospectus and such other documents as such Holder may reasonably request to facilitate the public offering of its Registrable Securities;

(3) Enter into any underwriting agreement with provisions reasonably required by the proposed underwriter for the selling Holder of Registrable Securities, if any, and reasonably acceptable to the Company; and

(4) Register or qualify the Registrable Securities covered by said registration statement under the securities or "blue-sky" laws of such jurisdictions as the selling Holder of Registrable Securities may reasonably request.

(e)Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of at least two-thirds of the then outstanding Registrable Securities; provided, however, that for the purposes of this sentence, Registrable Securities that are owned, directly or indirectly, by the Company, or an Affiliate of the Company are not deemed outstanding. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with

respect to a matter that relates exclusively to the rights of Holder and that does not directly or indirectly affect the rights of other Holder may be given by Holders of at least a majority of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(f)Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received), telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if received by 5:00 p.m. eastern time where such notice is to be received), or the first Business Day following such delivery (if received after 5:00 p.m. eastern time

where such notice is to be received) or (b) on the second Business Day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications are (i) if to the Company to SatCon Technology Corporation, 161 First Street, Cambridge, MA 02142-1221, Attn: President and Chief Executive Officer, fax no. (617) 576-7455, with copies to Hale & Dorr LLP, 60 State Street, Boston, MA 02109, Attn: Jeffrey N. Carp, Esq., fax no. (617) 526-5000 and (ii) if to Purchaser to Mechanical Technology Incorporated, 968 Albany-Shaker Road, Latham, New York 12110. Attention: Chief Financial Officer with copies to Catherine S. Hill, PLLC, 4 Global View, Troy, New York 12180 Attn: Catherine S. Hill, Esq., fax no. (518) 285- 7564 or such other address as may be designated in writing hereafter, in the same manner, by such Person.

(g)Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of the Holder. The Company may not assign its rights or obligations hereunder without the prior written consent of the Holder. The Holder may assign its rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement. In addition, the rights of the Holder hereunder, including the right to have the Company register for resale Registrable Securities in accordance with the terms of this Agreement, shall be automatically assignable by the Holder if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned, (iii) following such transfer or assignment the further disposition of such securities by the transferee or assignees is restricted under the Securities Act and applicable state securities laws, (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this Section, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions of this Agreement, and (v) such transfer shall have been made in accordance with the applicable requirements of the Purchase Agreement. The rights to assignment shall apply to the Holders (and to subsequent) successors and assigns.

(h)Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(i)Governing Law. The corporate laws of the State of Delaware shall govern all issues concerning the relative rights of the Company and the Purchaser as its stockholders. All other questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the federal courts sitting in the City of Albany, County of Albany or if diversity jurisdiction cannot be obtained, then in the state courts sitting in the city of Albany, county of Albany, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim

that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(j)Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(k)Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(l)Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(m)Shares Held by The Company and its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its Affiliates (other than any Holder or transferees or successors or assigns thereof if such Holder is deemed to be an Affiliate solely by reason of its holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(n)Revision of SEC Position on Warrants. In the event the rules and regulations of the Commission or the policies of the staff of the Commission are modified and as a result thereof the Company determines in good faith that it may be practicable and in the interests of the Company and the Holders to register the exercise of the Warrants so that the Warrant Shares may be freely resold without maintaining an effective registration statement under the Securities Act for resales, the Company and the Holders agree to cooperate in good faith to effect such amendments to this Agreement as may be appropriate to provide that the Company may fulfill its obligations hereunder with respect to the Warrants and the Warrant Shares by maintaining an effective registration statement under the Securities Act covering the exercise of the Warrants rather than the resale of the Warrant Shares.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this SatCon Registration Rights Agreement as of the date first written above.

SATCON TECHNOLOGY CORPORATION

By:/s/ David B. Eisenhaure
Name:David B. Eisenhaure
Title:President/Chief Executive Officer

MECHANICAL TECHNOLOGY INCORPORATED

By:/s/ Cynthia A. Scheuer
Name:Cynthia A. Scheuer

Title:Vice President/Chief Financial Officer

EXHIBIT A

PLAN OF DISTRIBUTION

Our company is registering the shares of common stock on behalf of the selling stockholders. All costs, expenses and fees in connection with the registration of the shares offered by this prospectus will be borne by the Company, other than brokerage commissions and similar selling expenses, if any, attributable to the sale of shares which will be borne by the selling stockholders. Sales of shares may be effected by selling stockholders from time to time in one or more types of transactions (which may include block transactions) on the Nasdaq National Market, in the over-the-counter market, in negotiated transactions, through put or call options transactions relating to the shares, through short sales of shares, or a combination of such methods of sale, at market prices prevailing at the time of sale, or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling stockholders have advised our company that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there an underwriter or coordinated broker acting in connection with the proposed sale of shares by the selling stockholders.

The selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of the shares or of securities convertible into or exchangeable for the shares in the course of hedging positions they assume with selling stockholders. The selling stockholders may also enter into options or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealers or other financial institutions of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as amended or supplemented to reflect such transaction).

The selling stockholders may make these transactions by selling shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker- dealers may receive compensation in the form of discounts, concessions or commissions from selling stockholders and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom

they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling stockholders and any broker-dealers that act in connection with the sale of shares are "underwriters" within the meaning of Section 2(11) of the Securities Act, and any commissions received by such broker-dealers or any profit on the resale of the shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because selling stockholders are "underwriters" within the meaning of Section 2(11) of the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act. Our company has informed the selling stockholders that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales in the market.

Selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of Rule 144.

Upon our company being notified by a selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing:

-the name of each such selling stockholder and of the participating broker-dealer(s);

-the number of shares involved;

-the initial price at which such shares were sold;

-the commissions paid or discounts or concessions allowed to such broker- dealer(s), where applicable;

-that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and

-other facts material to the transactions.

In addition, upon our company being notified by a selling stockholder that a donee or pledgee intends to sell more than 500 shares, a supplement to this prospectus will be filed.

EXHIBIT B

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

[TRANSFER AGENT]
Attn.:

Re:SatCon Technology Corporation

Ladies and Gentlemen:

We are counsel to SatCon Technology Corporation, a Delaware corporation (the "Company"), and have represented the Company in connection with that certain Securities Purchase Agreement (the "Purchase Agreement") entered into by and among the Company and Mechanical Technology Incorporated (the "Holder") pursuant to which the Company issued to the Holder its shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), and Warrants (the "the Warrants") to acquire shares of Common Stock. Pursuant to the Purchase Agreement, the Company also has entered into a Registration Rights Agreement with the Holder (the "Registration Rights Agreement") pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), including the shares of Common Stock and shares of Common stock issuable upon exercise of the Warrants, under the Securities Act of 1933, as amended (the "1933 Act"). In connection with the Company's obligations under the Registration Rights Agreement, on _____, 1999, the Company filed a Registration Statement on Form S-3 (File No. 333-_____) (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") relating to the Registrable Securities which names each of the Holders as a selling stockholder thereunder.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at [ENTER TIME OF EFFECTIVENESS] on [ENTER DATE OF EFFECTIVENESS] and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Registrable Securities are available for resale under the 1933 Act pursuant to the Registration Statement.

Very truly yours,

[ISSUER'S COUNSEL]

cc:[LIST NAMES OF HOLDERS]

Exhibit 10.36

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

October 21, 1999

36,000 shares Warrant No. 1

MECHANICAL TECHNOLOGY INCORPORATED
STOCK PURCHASE WARRANT

Registered Owner: SatCon Technology Corporation

This certifies that, for value received, Mechanical Technology Incorporated, a New York corporation, the ("Company") grants the following rights to the Registered Owner, or assigns, of this Warrant:

1. Issue. Upon tender (in accordance with Section 5 hereof) to the Company, the Company, within three (3) Business Days of the date thereof, shall issue to the Registered Owner, or assigns, up to the number of shares specified in Section 2 hereof of fully paid and nonassessable shares of Common Stock that the Registered Owner, or assigns, is otherwise entitled to purchase.

2. Number of Shares. The total number of shares of Common Stock that the Registered Owner, or assigns, of this Warrant is entitled to receive upon exercise of this Warrant (the "Warrant Shares") is 36,000 shares, subject to adjustment from time to time as to the number and kind of securities for which this Warrant is exercisable, all as set forth in Section 6 hereof. The Company shall at all times reserve and hold available out of its authorized and unissued shares of Common Stock or other securities, as the case may be, sufficient shares of Common Stock to satisfy all conversion and purchase rights represented by outstanding convertible securities, options and warrants, including this Warrant. The Company covenants and agrees that all shares of Common Stock or other securities, as the case may be, that may be issued upon the exercise of this Warrant shall, upon issuance, be duly and validly issued, fully paid and nonassessable, free from all taxes, liens and charges with respect to the purchase and the issuance of the shares, and shall not have any legend or restrictions on resale, expect as required by Section 3.13 of the Purchase Agreement.

3. Exercise Price. The per share exercise price of this Warrant, representing the price per share at which the shares of stock issuable upon exercise of this Warrant may be purchased, is $37.66, subject to adjustment from time to time pursuant to the provisions of Section 6 hereof (the "Exercise Price").

4. Exercise Period. This Warrant may be exercised from the Closing Date (as defined in the Purchase Agreement) up to and including October 13, 2003 (the "Exercise Period"). If not exercised during this period, this Warrant and all rights granted under this Warrant shall expire and lapse.

5. Tender; Issuance of Certificates.

a. Subject to Section 15 hereof, this Warrant may be exercised, in whole or in part, by (i) actual delivery of (a) the Exercise Price in cash or exchange of in-the-money warrants, (b) a duly executed Warrant Exercise Form, a copy of which is attached to this Warrant as Exhibit A, properly executed by the Registered Owner, or assigns, of this Warrant, and (c) by surrender of this Warrant. The Warrant Shares so purchased shall be deemed to be issued to the Registered Owner as of the close of business on the date (the "Exercise Date") on which the last of the following shall have occurred: (i) this Warrant shall have been surrendered and (ii) the completed Warrant Exercise Form shall have been delivered and payment shall have been made for such shares as set forth above. The payment and Warrant Exercise Form must be delivered to the registered office of the Company either in person or as set for in Section 12 hereof.

b. In lieu of physical delivery of the Warrant, provided the Company's transfer agent is participating in the Depositary Trust Company's ("DTC") Fast automated Securities Transfer ("FAST") program, upon request of the Registered Owner and in compliance with the provisions hereof, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Warrant Shares to the Registered Owner by crediting the account of the Registered Owner's Prime Broker with DTC through its Deposit Withdrawal Agent Commission system. The time period for delivery described herein shall apply to the electronic transmittals described herein.

c. The Registered Owner may, at its option, also elect to pay some or all of the Exercise Price payable upon an exercise of this Warrant by canceling a portion of this Warrant exercisable for such number of Warrant Shares as is determined by dividing (i) the total Exercise Price payable in respect of the number of Warrant Shares being purchased upon such exercise by (ii) the excess of the Fair Market Value per share of Common Stock as of the Exercise Date over the Exercise Price per share. If the Registered Owner wishes to exercise this Warrant pursuant to this method of payment with respect to the maximum number of Warrant Shares purchasable pursuant to this method, then the number of Warrant Shares so purchasable shall be equal to the total number of Warrant Shares, minus the product obtained by multiplying (x) the total number of Warrant Shares by (y) a fraction, the numerator of which shall be the Exercise Price per share and the denominator which shall be the Fair Market Value per share of Common Stock as of the Exercise Date. The Fair Market Value per share of Common Stock shall be determined as follows:

(i.)If the Common Stock is listed on a national securities exchange, the Nasdaq National Market or another nationally recognized trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the average of the high and low reported sale prices per share of Common Stock thereon on the trading day immediately preceding the Exercise Date (provided that if no such price is reported on such day, the Fair Market Value per share of Common Stock shall be determined pursuant to clause (ii)).

(ii).If the Common Stock is not listed on a national securities exchange, the Nasdaq National Market or another nationally recognized trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the amount most recently determined by the Board of Directors to represent the fair market value per share of the Common Stock (including, without limitation, a determination for purposes of granting Common Stock options or issuing Common Stock under an employee benefit plan of the Company); and upon request of the Registered Owner, the Board of Directors (or a representative thereof) shall promptly notify the Registered Owner of the Fair Market Value per share of Common Stock.

Notwithstanding the foregoing, if the Board of Directors has not made such a determination within the three-month period prior to the Exercise Date, then (A) the Board of Directors shall make a determination of the Fair Market Value per share of the Common Stock within 15 days of a request by the Registered Owner that it do so, and (B) the exercise of this Warrant pursuant to this Section 6(c) shall be delayed until such determination is made.

d. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Warrant Exercise Form, and any cash payments due under Section 14 hereof shall be delivered to the Registered Owner within a reasonable time, not exceeding three (3) Business Days, after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the Registered Owner and shall be registered in the name of the Registered Owner or such other name as shall be designated by such Registered Owner. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, at the time of delivery of such certificates, deliver to the Registered Owner a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised.

6. Adjustment of Exercise Price.

a. Common Stock Dividends; Common Stock Splits; Reverse Common Stock Splits. If the Company, at any time while this Warrant is outstanding, (a) shall pay a stock dividend on its Common Stock, (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares or (d) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, then (i) the Exercise Price shall be multiplied by a fraction the numerator of which shall be

the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding (excluding treasury shares, if any) after such event and (ii) the number of Warrant Shares shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding after such event and the denominator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event. Any adjustment made pursuant to this paragraph (6)(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b. Rights; Options; Warrants or Other Securities. If the Company, at any time while this Warrant is outstanding, shall fix a record date for the issuance of rights, options, warrants or other securities to all of the holders of Common Stock entitling them to subscribe for or purchase, convert to, exchange for or otherwise acquire shares of Common Stock for no consideration or at a price per share less than the Exercise Price, the Exercise Price shall be multiplied by a fraction, the denominator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights, options, warrants or other securities plus the number of additional shares of Common Stock offered for subscription, purchase, conversion, exchange or acquisition and the numerator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights, options, warrants or other securities plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at the Exercise Price. Such adjustment shall be made whenever such rights, options, warrants or other securities are issued, and shall become effective immediately after the record date for the determination

of shareholders entitled to receive such rights, options, warrants or other securities.

c. Subscription Rights. If the Company, at any time while this Warrant is outstanding, shall fix a record date for the distribution to all of the holders of Common Stock evidence of its indebtedness or assets or rights, options, warrants or other security entitling them to subscribe for or purchase, convert to, exchange for or otherwise acquire any security (excluding those referred to in paragraphs 6(a) and (b) above), then in each such case the Exercise Price at which the Warrant shall thereafter be exercisable shall be determined by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the Per Share Market Value of Common Stock determined as of the record date mentioned above, and the numerator of which shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; provided, however, that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be determined in accordance with the Appraisal Procedure. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

d. Rounding. All calculations under this Section 6 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

e. Notice of Adjustment. Whenever the Exercise Price is adjusted pursuant to paragraphs 6(a), (b) or (c), the Company shall promptly deliver to the Registered Owner a notice setting forth the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

f. Redemption Events. The following are "five days. On and after the date of any Redemption Event, the Registered Owner shall have the option to require the Company to redeem (the "Redemption Right"), for a period of thirty (30) days after the Registered Owner receives notice of Redemption Event, in cash within 10 days of the Redemption Event, the Registered Owner's shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Registered Owner's Warrant at a price per share equal to the product of (i) the amount by which, if any, the Average Price immediately preceding the latest of the effective date, the date of the closing, date of occurrence or the date of the announcement, as the case may be, of the Redemption Event triggering such Redemption Right exceeds the Exercise Price and (ii) the number of shares of Common Stock issuable upon exercise of the Warrant immediately prior to such

Redemption Event. After the occurrence of (A), the Registered Owner shall have the right at his or its option, in lieu of the Redemption Right, to exercise the Warrant for shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of Common Stock following such Redemption Event; the Registered Owner shall be entitled upon such event to receive such amount of securities, cash or property as if the Registered Owner had exercised the Warrant of the shares of the Common Stock issuable upon exercise of the Warrant immediately prior to such Redemption Event (without taking into account any limitations or restrictions on the exercise of the Warrant). In the case of a transaction specified in (A) in which holders of the Company's Common Stock receive cash, the Registered Owner shall have the right at his or its option, in lieu of the Redemption Right, to exercise the Warrant for such number of shares of the surviving company equal to the amount of cash into which the Warrant is exercisable divided by the fair market value of the shares of the surviving company on the effective date of the merger. In the case of (A), the Company

shall not effect any such Redemption Event unless, prior to the consummation thereof, each Person (other than the Company) which may be required to deliver any stock, securities, cash or property upon the exercise of the Warrant as provided herein shall assume, by written instrument delivered and reasonably satisfactory to, the Registered Owner, (a) the obligations of the Company under the Warrant (and if the Company shall survive the consummation of such transaction, such assumption shall be in addition to, and shall not release the Company from, any continuing obligations of the Company under this Warrant), (b) the obligations of the Company under the Purchase Agreement, the Warrant and the Registration Rights Agreement, and (c) the obligation to deliver to the Registered Owner such shares of stock, securities, cash or property as, in accordance with the foregoing provisions of this Section 6(f), the Registered Owner may be entitled to receive. Nothing in this Section 6(f) shall be deemed to authorize the Company to enter into any transaction not otherwise permitted by the Purchase Agreement. This provision shall similarly apply to successive Redemption Events.

g. Notice of Certain Events. If:

(i) the Company shall declare a dividend (or any other distribution) on its Common Stock; or

(ii) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or

(iii) the Company shall authorize the granting to the holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or

(iv) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or

(v) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of exercise of this Warrant, and shall cause to be delivered to the Registered Owner, at least 10 Business Days prior to the applicable record or effective date hereinafter specified, a notice (provided such notice shall not include any material non-public information) stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

h. Adjustment of Number of Shares. Upon each adjustment of the Exercise Price as a result of the calculations made in this Section 6, this Warrant shall thereafter evidence the right to receive, at the adjusted Exercise Price, that number of shares of Common Stock (calculated to the nearest one-hundredth) obtained by dividing (i) the product of the aggregate number of shares covered by this Warrant immediately prior to such adjustment and the Exercise Price in effect immediately prior to such adjustment of the Exercise Price by (ii) the Exercise Price in effect immediately after such adjustment of the Exercise Price.

7. Officer's Certificate. Whenever the number of shares purchasable upon exercise shall be adjusted as required by the provisions of Section 7, the Company shall forthwith file in the custody of its Secretary or an Assistant Secretary at its principal office and with its stock transfer agent, if any, an officer's certificate showing the adjusted Exercise Price, number of shares or other securities determined as herein provided, setting forth in reasonable detail the facts requiring such adjustment and the manner of computing such adjustment. Each such officer's certificate shall be signed by the chairman, president or chief financial officer of the Company and by the secretary or any assistant secretary of the Company. Each such officer's certificate shall be made available at all reasonable times for inspection by any Registered Owner of the Warrants and the Company shall, forthwith after each such adjustment, deliver a copy of such certificate to the each of the Registered Owners.

8. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement. As used in this Warrant, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Appraisal Procedure" shall have the following meaning. The independent directors of the Company shall determine the fair market value. The Holders shall have ten (10) Business Days to provide the Company with written notice of its approval or disapproval of such determination. If the Holders do not respond within such ten (10) Business Day period, they will be deemed to have approved the fair market value determination of the independent directors. If the Holders appropriately respond that they do not approve of the determination and the independent directors and Holders collectively can not agree on an appropriate fair market value within 30 Business Days, then the Company, on the one hand, and the Holders, on the other hand shall each appoint an Appraiser. A neutral Appraiser shall be appointed by the two party- appointed Appraisers. The three Appraisers shall collectively ascertain the fair market value, which valuation shall be binding upon all parties absent manifest error.

"Appraiser" shall mean a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing. "Average Price" on any date means (x) the sum of the Per Share Market Value for the ten (10) Trading Days immediately preceding such date minus (y) the highest and lowest Per Share Market Value during the ten (10) Trading Days immediately preceding such date, divided by (z) eight (8), or a similar calculation if another figure for the number of Trading Days is set forth for clause (x) of this definition.

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the state of New York generally are authorized or required by law or other government actions to close.

"Change of Control" means the occurrence of any of (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act), other than the Purchasers or any of their Affiliates, of in excess of 40% of the voting securities of the Company, (ii) a replacement of more than one-half of the members of the Company's Board of Directors which is not approved by those individuals who are members of the Board of Directors on the date hereof in one or a series of related transactions, (iii) the merger of the Company with or into another entity, consolidation or sale of all or substantially all of the assets of the Company in one or a series of related transactions, or (v) the execution by the

Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (i), (ii) , (iii), (iv) or (v);

"Closing" means the closing of the purchase and sale of Common Stock and warrants as described in Section 1.2 and 1.3 of the Purchase Agreement.

"Common Stock" means the shares of the Company's Common Stock, par value $0.01 per share.

"Company" means SatCon Technology Corporation, a Delaware corporation.

"Exercise Period" has the meaning assigned to it the Section 4 hereof.

"Exercise Price" has the meaning assigned to it in Section 3 hereof

"MTI Registration Rights Agreement" means that certain Registration Rights Agreement, dated October 13, 1999, among the Company and the Purchasers.

"Per Share Market Value" means on any particular date (i) the closing bid price per share of the Common Stock on such date on the National Market System of the Nasdaq Stock Market or other registered national stock exchange on which the Common Stock is then listed or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest preceding such date, or (ii) if the Common Stock is not listed then on the National Market System of the Nasdaq Stock Market or any registered national stock exchange, the closing bid price for a share of Common Stock in the over-the-counter market, as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (iii) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined in accordance with the Appraisal Procedure. In addition, all determinations of the Per Share Market Value shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during such period.

"Purchase Agreement" means that certain Securities Purchase Agreement, dated October 13, 1999, among the Company and the Purchaser.

"Purchaser" has the meaning set forth in the Purchase Agreement.

"Redemption Event" has the meaning assigned to it in Section 6(f) hereof.

"Redemption Right" has the meaning assigned to it in Section 6(f) hereof.

"Registered Owner" means the person identified on the face of this Warrant as the registered owner hereof or such other person as shown on the records of the Company as being the registered owner of this Warrant or their assigns.

"Trading Day(s)" means any day on which the primary market on which shares of Common Stock are listed is open for trading.

"Underlying Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

"Warrant(s)" means the warrants issuable to SatCon Technology Corporation at the Closing.

9. Registration Rights. The Warrant Shares are subject to the Registration Rights Agreement.

10. Reservation of Underlying Shares; Listing. The Company covenants that it will at all times reserve and keep available out of its authorized shares of Common Stock, free from preemptive rights, solely for the purpose of issue upon exercise of the Warrants as herein provided, such number of shares of the Common Stock as shall then be issuable upon the exercise of all outstanding Warrants into Common Stock. The Company covenants that all shares of the Common Stock issued upon exercise of the Warrant which shall be so issuable shall, when issued, be duly and validly issued and fully paid and non-assessable. The Company shall promptly secure the listing of the shares of Common Stock issuable upon exercise of the Warrant upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of this Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock form time to time issuable upon the

exercise of this Warrant; and the Company shall so list on each national securities exchange or automated quotation system, as the case may be, and shall maintain such listing of, any other shares of capital stock of the Company issuable upon the exercise of this Warrant if and so long as any shares of the same class shall be listed on such national securities exchange or automated quotation system.

11. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received), telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if received by 5:00 p.m. eastern time where such notice is to be received), or the first Business Day following such delivery (if received after 5:00 p.m. eastern time where such notice is to be received) or (b) on the second Business Day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications are (i) if to the Purchaser to SatCon Technology Corporation, 161 First Street, Cambridge, MA 02142-1221, Attn: President and Chief Executive Officer, fax no. (617) 576-7455, with copies to Hale & Dorr LLP, 60 State Street, Boston, MA 02109, Attn: Jeffrey N. Carp, Esq., fax no. (617) 526-5000 and (ii) if to the Company to Mechanical Technology Incorporated at 968 Albany-Shaker Road, Latham, New York 12110, Attention: Cynthia A. Scheuer, Chief Financial Officer with copies to Catherine S. Hill, PLLC, 4 Global View, Troy, New York 12180, Attention: Catherine Hill, or such other address as may be designated in writing hereafter, in the same manner, by such Person.

12. Compliance With Governmental Requirements. The Company covenants that if any shares of Common Stock required to be reserved for purposes of exercise of Warrants hereunder require registration with or approval of any governmental authority under any Federal or state law, or any national securities exchange, before such shares may be issued upon exercise, the Company will use its best efforts to cause such shares to be duly registered or approved, as the case may be.

13. Fractional Shares. Upon any exercise hereunder, the Company shall not be required to issue stock certificates representing fractions of shares of the Common Stock, but may if otherwise permitted make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the Registered Owner shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

14. Payment of Tax Upon Issue of Transfer. The issuance of certificates for shares of the Common Stock upon exercise of the Warrants shall be made without charge to the Registered Owners thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon exercise in a name other than that of the Registered Owner of such Warrant so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

15. Warrants Owned by Company Deemed Not Outstanding. In determining whether the holders of the outstanding Warrants have concurred in any direction, consent or waiver under this Warrant, warrants which are owned by the Company or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding for the purpose of any such determination. Warrants so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Company the pledgee's right so to act with respect to such warrants and that the pledgee is not the Company or any other obligor upon the securities or any Affiliate of the Company or any other obligor on the warrants.

16. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

17. No Rights as Stockholder. This Warrant shall not entitle the Registered

Owner to any rights as a stockholder of the Company, including without limitation, the right to vote, to receive dividends and other distributions, or to receive notice of, or to attend, meetings of stockholders or any other proceedings of the Company, unless and to the extent converted into shares of Common Stock in accordance with the terms hereof.

18. Certain Actions Prohibited. The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant

against dilution or other impairment, consistent with the tenor and purpose of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

19. Shareholder Rights Plan. Notwithstanding the foregoing, in the event that the Company shall distribute "poison pill" rights pursuant to a "poison pill" shareholder rights plan (the "Rights"), the Company shall, in lieu of making any adjustment pursuant to Section 6 hereof, make proper provision so that each Registered Owner who exercises a Warrant after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such exercise, in addition to the shares of Common Stock issuable upon such exercise, a number of Rights to be determined as follows: (i) if such exercise occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of shares of Common Stock issuable upon such exercise at the time of such exercise would be entitled in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such exercise occurs after the Distribution Date, the same number of Rights to which a holder of the number of shares into which the Warrant to exercised was exercisable immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights, and in each case subject to the terms and conditions of the Rights.

20. Successors and Assigns. This Warrant shall be binding upon and inure to the benefit of the Registered Owners and its assigns, and shall be binding upon any entity succeeding to the Company by merger or acquisition of all or substantially all the assets of the Company. The Company may not assign this Warrant or any rights or obligations hereunder without the prior written consent of the Registered Owner. The Registered Owner may assign this Warrant without the prior written consent of the Company.

21. Transfers. The Company shall maintain a register (the "Register") containing the name and address of the Registered Owner of this Warrant, which Register can be relied upon by the Company as conclusive evidence of the Registered Owner. If the Registered Owner transfers or assigns this Warrant it shall promptly notify the Company in writing of the name and address of the person to which such transfer or assignation was made. Upon receipt of such notice the Company shall immediately update the Register to incorporate the new Registered Owner.

22. Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof. Each party hereby irrevocably submits to the nonexclusive jurisdiction of the federal courts sitting in the City of Albany, County of Albany, and if diversity jurisdiction cannot be obtained, the state courts sitting in the City of Albany, County of Albany for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Warrant and agrees that such service

shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer as of the date first set forth above.

MECHANICALTECHNOLOGY INCORPORATED

By:/s/ Cynthia A. Scheuer
Name:Cynthia A. Scheuer
Title:Vice President/
Chief Financial Officer

EXHIBIT A

Warrant Exercise Form

TO:MECHANICAL TECHNOLOGY INCORPORATED

The undersigned hereby: (1) irrevocably subscribes for and offers to purchase _____ shares of Common Stock of Mechanical Technology Incorporated, pursuant to Warrant No. ___ heretofore issued to _____ on _____, 199__; (2) encloses either (a) a cash payment of $_____ or (b) the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ Warrant Shares (using a Fair Market Value of $ _____ per share for purposes of this calculation); and (3) requests that a certificate for the shares be issued in the name of the undersigned and delivered to the undersigned at the address specified below.

Date:

Investor Name:

Taxpayer Identification

Number:

By:

Printed Name:

Title:

Address:

Note:The above signature should correspond exactly with the name on the face of this Warrant or with the name of assignee appearing in assignment form below.

AND, if said number of shares shall not be all the shares purchasable under the within Warrant, a new Warrant is to be issued in the name of said undersigned for the balance remaining of the shares purchasable thereunder less any fraction of a share paid in cash and delivered to the address stated above.

Exhibit 10.37

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

October 21, 1999

36,000 shares Warrant No. 1

SATCON TECHNOLOGY CORPORATION
STOCK PURCHASE WARRANT

Registered Owner: Mechanical Technology Incorporated

This certifies that, for value received, SatCon Technology Corporation, a Delaware corporation, the ("Company") grants the following rights to the Registered Owner, or assigns, of this Warrant:

1. Issue. Upon tender (in accordance with Section 5 hereof) to the Company, the Company, within three (3) Business Days of the date thereof, shall issue to the Registered Owner, or assigns, up to the number of shares specified in Section 2 hereof of fully paid and nonassessable shares of Common Stock that the Registered Owner, or assigns, is otherwise entitled to purchase.

2. Number of Shares. The total number of shares of Common Stock that the Registered Owner, or assigns, of this Warrant is entitled to receive upon exercise of this Warrant (the "Warrant Shares") is 36,000 shares, subject to adjustment from time to time as to the number and kind of securities for which this Warrant is exercisable, all as set forth in Section 6 hereof. The Company shall at all times reserve and hold available out of its authorized and unissued shares of Common Stock or other securities, as the case may be, sufficient shares of Common Stock to satisfy all conversion and purchase rights represented by outstanding convertible securities, options and warrants, including this Warrant. The Company covenants and agrees that all shares of Common Stock or other securities, as the case may be, that may be issued upon the exercise of this Warrant shall, upon issuance, be duly and validly issued, fully paid and nonassessable, free from all taxes, liens and charges with respect to the purchase and the issuance of the shares, and shall not have any legend or restrictions on resale, expect as required by Section 3.13 of the Purchase Agreement.

3. Exercise Price. The per share exercise price of this Warrant, representing the price per share at which the shares of stock issuable upon exercise of this Warrant may be purchased, is $8.80, subject to adjustment from time to time pursuant to the provisions of Section 6 hereof (the "Exercise Price").

4. Exercise Period. This Warrant may be exercised from the Closing Date (as defined in the Purchase Agreement) up to and including October 13, 2003 (the "Exercise Period"). If not exercised during this period, this Warrant and all rights granted under this Warrant shall expire and lapse.

5. Tender; Issuance of Certificates.

a. Subject to Section 15 hereof, this Warrant may be exercised, in whole or in part, by (i) actual delivery of (a) the Exercise Price in cash, (b) a duly executed Warrant Exercise Form, a copy of which is attached to this Warrant as Exhibit A, properly executed by the Registered Owner, or assigns, of this Warrant, and (c) by surrender of this Warrant. The Warrant Shares so purchased shall be deemed to be issued to the Registered Owner as of the close of business on the date (the "Exercise Date") on which the last of the following shall have occurred: (i) this Warrant shall have been surrendered and (ii) the completed Warrant Exercise Form shall have been delivered and payment shall have been made for such shares as set forth above. The payment and Warrant Exercise Form must be delivered to the registered office of the Company either in person or as set for in Section 11 hereof.

b. In lieu of physical delivery of the Warrant, provided the Company's transfer agent is participating in the Depositary Trust Company's ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Registered Owner and in compliance with the provisions hereof, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Warrant Shares to the Registered Owner by crediting the account of the Registered Owner's Prime Broker with DTC through its Deposit Withdrawal Agent Commission system. The time period for delivery described herein shall apply to the electronic transmittals described herein.

c. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Warrant Exercise Form, and any cash payments due under Section 13 hereof shall be delivered to the Registered Owner within a reasonable time, not exceeding three (3) Business Days, after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the Registered Owner and shall be registered in the name of the Registered Owner or such other name as shall be designated by such Registered Owner. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, at the time of delivery of such certificates, deliver to the Registered Owner a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised.

6. Adjustment of Exercise Price.

a. Common Stock Dividends; Common Stock Splits; Reverse Common Stock Splits. If the Company, at any time while this Warrant is outstanding, (a) shall pay a stock dividend on its Common Stock, (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares or (d) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, then (i) the Exercise Price shall be multiplied by a fraction the numerator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding (excluding treasury shares, if any) after such event and (ii) the number of Warrant Shares shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding after such event and the denominator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event. Any adjustment made pursuant to this paragraph (6)(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b. Rights; Options; Warrants or Other Securities. If the Company, at any time while this Warrant is outstanding, shall fix a record date for the issuance of rights, options, warrants or other securities to all of the holders of Common Stock entitling them to subscribe for or purchase, convert to, exchange for or otherwise acquire shares of Common Stock for no consideration or at a price per share less than the Exercise Price, the Exercise Price shall be multiplied by a fraction, the denominator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights, options, warrants or other securities plus the number of additional shares of Common Stock offered for subscription, purchase, conversion, exchange or acquisition and the numerator of which shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights, options, warrants or other securities plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at the Exercise Price. Such adjustment shall be made whenever such rights, options, warrants or other securities are issued, and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights, options, warrants or other securities.

c. Subscription Rights. If the Company, at any time while this Warrant is outstanding, shall fix a record date for the distribution to all of the holders of Common Stock evidence of its indebtedness or assets or rights, options, warrants or other security entitling them to subscribe for or purchase, convert to, exchange for or otherwise acquire any security (excluding those referred to in paragraphs 6(a) and (b) above), then in each such case the Exercise Price at which the Warrant shall thereafter be exercisable shall be determined by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of shareholders entitled to receive such distribution

by a fraction, the denominator of which shall be the Per Share Market Value of Common Stock determined as of the record date mentioned above, and the numerator of which shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; provided, however, that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be determined in accordance with the Appraisal Procedure. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

d. Rounding. All calculations under this Section 6 shall be made to the nearest cent or the nearest l/l00th of a share, as the case may be.

e. Notice of Adjustment. Whenever the Exercise Price is adjusted pursuant to paragraphs 6(a), (b) or (c), the Company shall promptly deliver to the Registered Owner a notice setting forth the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

f. Redemption Events. The following are "Redemption Events" under this Section 6(f): (A) any Change of Control or (B) any suspension from listing or delisting of the Common Stock from the Nasdaq or any Subsequent Market on which the Common Stock is listed for a period of five consecutive days. On and after the date of any Redemption Event, the Registered Owner shall have the option to require the Company to redeem (the "Redemption Right"), for a period of thirty (30) days after the Registered Owner receives notice of Redemption Event, in cash within 10 days of the Redemption Event, the Registered Owner's shares of Common Stock immediately theretofore acquirable and receivable upon the

exercise of such Registered Owner's Warrant at a price per share equal to the product of (i) the amount by which, if any, the Average Price immediately preceding the latest of the effective date, the date of the closing, date of occurrence or the date of the announcement, as the case may be, of the Redemption Event triggering such Redemption Right exceeds the Exercise Price and (ii) the number of shares of Common Stock issuable upon exercise of the Warrant immediately prior to such Redemption Event. After the occurrence of (A), the Registered Owner shall have the right at his or its option, in lieu of the Redemption Right, to exercise the Warrant for shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of Common Stock following such Redemption Event; the Registered Owner shall be entitled upon such event to receive such amount of securities, cash or property as if the Registered Owner had exercised the Warrant of the shares of the Common Stock issuable upon exercise of the Warrant immediately prior to such Redemption Event (without taking into account any limitations or restrictions on the exercise of the Warrant). In the case of a transaction specified in (A) in which holders of the Company's Common Stock receive cash, the Registered Owner shall have the right at his or its option, in lieu of the Redemption Right, to exercise the Warrant for such number of shares of the surviving company equal to the amount of cash into which the Warrant is exercisable divided by the fair market value of the shares of the surviving company on the effective date of the merger. In the case of (A), the Company shall not effect any such Redemption Event unless, prior to the consummation thereof, each Person (other than the Company) which may be required to deliver any stock, securities, cash or property upon the exercise of the Warrant as provided herein shall assume, by written instrument delivered and reasonably satisfactory to, the Registered Owner, (a) the obligations of the Company under the Warrant (and if the Company shall survive the consummation of such transaction, such assumption shall be in addition to, and shall not release the Company from, any continuing obligations of the Company under this Warrant), (b) the obligations of the Company under the Purchase Agreement, the Warrant and the Registration Rights Agreement, and (c) the obligation to deliver to the Registered Owner such shares of stock, securities, cash or property as, in accordance with the foregoing provisions of this Section 6(f), the Registered Owner may be entitled to receive. Nothing in this Section 6(f) shall be deemed to authorize the Company to enter into any transaction not otherwise permitted by the Purchase Agreement. This provision shall similarly apply to successive Redemption Events.

g. Notice of Certain Events. If:

(i) the Company shall declare a dividend (or any other distribution) on its Common Stock; or

(ii) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or

(iii) the Company shall authorize the granting to the holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or

(iv) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or

(v) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of exercise of this Warrant, and shall cause to be delivered to the Registered Owner, at least 10 Business Days prior to the applicable record or effective date hereinafter specified, a notice (provided such notice shall not include any material non-public information) stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

h. Adjustment of Number of Shares. Upon each adjustment of the Exercise Price as a result of the calculations made in this Section 6, this Warrant shall thereafter evidence the right to receive, at the adjusted Exercise Price, that number of shares of Common Stock (calculated to the nearest one-hundredth) obtained by dividing (i) the product of the aggregate number of shares covered by this Warrant immediately prior to such adjustment and the Exercise Price in effect immediately prior to such adjustment of the Exercise Price by (ii) the Exercise Price in effect immediately after such adjustment of the Exercise Price.

7. Officer's Certificate. Whenever the number of shares purchasable upon exercise shall be adjusted as required by the provisions of Section 6, the Company shall forthwith file in the custody of its Secretary or an Assistant Secretary at its principal office and with its stock transfer agent, if any, an officer's certificate showing the adjusted Exercise Price, number of shares or other securities determined as herein provided, setting forth in reasonable detail the facts requiring such adjustment and the manner of computing such adjustment. Each such officer's certificate shall be signed by the chairman, president or chief financial officer of the Company and by the secretary or any assistant secretary of the Company. Each such officer's certificate shall be made available at all reasonable times for inspection by any Registered Owner of the Warrants and the Company shall, forthwith after each such adjustment, deliver a copy of such certificate to the each of the Registered Owners.

8. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement. As used in this Warrant, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Appraisal Procedure" shall have the following meaning. The independent directors of the Company shall determine the fair market value. The Holders shall have ten (10) Business Days to provide the Company with written notice of its approval or disapproval of such determination. If the Holders do not respond within such ten (10) Business Day period, they will be deemed to have approved the fair market value determination of the independent directors. If the Holders appropriately respond that they do not approve of the determination and the independent directors and Holders collectively can not agree on an appropriate fair market value within 30 Business Days, then the Company, on the one hand, and the Holders, on the other hand shall each appoint an Appraiser. A neutral Appraiser shall be appointed by the two party- appointed Appraisers. The three Appraisers shall collectively ascertain the fair market value, which valuation shall be binding upon all parties absent manifest error.

"Appraiser" shall mean a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing. "Average Price" on any date means (x) the sum of the Per Share Market Value for the ten (10) Trading Days immediately preceding such date minus (y) the highest and lowest Per Share Market Value during the ten (10) Trading Days immediately preceding such date, divided by (z) eight (8), or a similar calculation if another figure for the number of Trading Days is set forth for clause (x) of this definition.

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the state of New York generally are authorized or required by law or other government actions to close.

"Change of Control" means the occurrence of any of (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act), other than the Purchasers or any of their Affiliates, of in excess of 40% of the voting securities of the Company, (ii) a replacement of more than one-half of the members of the Company's Board of Directors which is not approved by those individuals who are members of the Board of Directors on the date hereof in one or a series of related transactions, (iii) the merger of the Company with or into another entity, consolidation or sale of all or substantially all of the assets of the Company in one or a series of related transactions, or (v) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (i), (ii) , (iii), (iv) or (v);

"Closing" means the closing of the purchase and sale of Common Stock and warrants as described in Section 1.2 and 1.3 of the Purchase Agreement.

"Common Stock" means the shares of the Company's Common Stock, par value $0.01 per share.

"Company" means SatCon Technology Corporation, a Delaware corporation.

"Exercise Period" has the meaning assigned to it the Section 4 hereof.

"Exercise Price" has the meaning assigned to it in Section 3 hereof

"Per Share Market Value" means on any particular date (i) the closing bid price per share of the Common Stock on such date on the National Market System of the Nasdaq Stock Market or other registered national stock exchange on which the Common Stock is then listed or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest

preceding such date, or (ii) if the Common Stock is not listed then on the National Market System of the Nasdaq Stock Market or any registered national stock exchange, the closing bid price for a share of Common Stock in the over-the-counter market, as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (iii) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined in accordance with the Appraisal Procedure. In addition, all determinations of the Per Share Market Value shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during such period.

"Purchase Agreement" means that certain Securities Purchase Agreement, dated October 13, 1999, among the Company and the Purchaser.

"Purchaser" has the meaning set forth in the Purchase Agreement.

"Redemption Event" has the meaning assigned to it in Section 6(f) hereof.

"Redemption Right" has the meaning assigned to it in Section 6(f) hereof.

"Registered Owner" means the person identified on the face of this Warrant as the registered owner hereof or such other person as shown on the records of the Company as being the registered owner of this Warrant or their assigns.

"SatCon Registration Rights Agreement" means that certain Registration Rights Agreement, dated October 13, 1999, among the Company and the Purchasers.

"Trading Day(s)" means any day on which the primary market on which shares of Common Stock are listed is open for trading.

"Underlying Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

"Warrant(s)" means the warrants issuable to Mechanical Technology Incorporated at the Closing.

9. Registration Rights. The Warrant Shares are subject to the Registration Rights Agreement.

10. Reservation of Underlying Shares; Listing. The Company covenants that it will at all times reserve and keep available out of its authorized shares of Common Stock, free from preemptive rights, solely for the purpose of issue upon exercise of the Warrants as herein provided, such number of shares of the Common Stock as shall then be issuable upon the exercise of all outstanding Warrants into Common Stock. The Company covenants that all shares of the Common Stock issued upon exercise of the Warrant which shall be so issuable shall, when issued, be duly and validly issued and fully paid and non-assessable. The Company shall promptly secure the listing of the shares of Common Stock issuable upon exercise of the Warrant upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of this Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock form time to time issuable upon the exercise of this Warrant; and the Company shall so list on each national securities exchange or automated quotation system, as the case may be, and shall maintain such listing of, any other shares of capital stock of the Company issuable upon the exercise of this Warrant if and so long as any shares of the same class shall be listed on such national securities exchange or

automated quotation system.

11. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received), telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if received by 5:00 p.m. eastern time where such notice is to be received), or the first Business Day following such delivery (if received after 5:00 p.m. eastern time where such notice is to be received) or (b) on the second Business Day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications are (i) if to the Company to SatCon Technology Corporation, 161 First Street, Cambridge, MA 02142-1221, Attn: President and Chief Executive Officer, fax no. (617) 576-7455, with copies to Hale & Dorr LLP, 60 State Street, Boston, MA 02109, Attn: Jeffrey N. Carp, Esq., fax no. (617) 526-5000 and (ii) if to the Purchaser to Mechanical Technology Incorporated at 968 Albany-Shaker Road, Latham, New York 12110, Attention: Cynthia A. Scheuer, Chief Financial Officer with copies to Catherine S. Hill, PLLC, 4 Global View, Troy, New York 12180, Attention: Catherine Hill, or such other address as may be designated in writing hereafter, in the same manner, by such Person.

12. Compliance With Governmental Requirements. The Company covenants that if any shares of Common Stock required to be reserved for purposes of exercise of Warrants hereunder require registration with or approval of any governmental authority under any Federal or state law, or any national securities exchange, before such shares may be issued upon exercise, the Company will use its best efforts to cause such shares to be duly registered or approved, as the case may be.

13. Fractional Shares. Upon any exercise hereunder, the Company shall not be required to issue stock certificates representing fractions of shares of the Common Stock, but may if otherwise permitted make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the Registered Owner shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

14. Payment of Tax Upon Issue of Transfer. The issuance of certificates for shares of the Common Stock upon exercise of the Warrants shall be made without charge to the Registered Owners thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon exercise in a name other than that of the Registered Owner of such Warrant so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

15. Warrants Owned by Company Deemed Not Outstanding. In determining whether the holders of the outstanding Warrants have concurred in any direction, consent or waiver under this Warrant, warrants which are owned by the Company or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding for the purpose of any such determination. Warrants so owned which have been pledged in good faith may be regarded as

outstanding if the pledgee establishes to the satisfaction of the Company the pledgee's right so to act with respect to such warrants and that the pledgee is not the Company or any other obligor upon the securities or any Affiliate of the Company or any other obligor on the warrants.

16. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

17. No Rights as Stockholder. This Warrant shall not entitle the Registered Owner to any rights as a stockholder of the Company, including without limitation, the right to vote, to receive dividends and other distributions, or to receive notice of, or to attend, meetings of stockholders or any other proceedings of the Company, unless and to the extent converted into shares of Common Stock in accordance with the terms hereof.

18. Certain Actions Prohibited. The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant against dilution or other impairment, consistent with the tenor and purpose of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

19. Shareholder Rights Plan. Notwithstanding the foregoing, in the event that the Company shall distribute "poison pill" rights pursuant to a "poison pill" shareholder rights plan (the "Rights"), the Company shall, in lieu of making any adjustment pursuant to Section 6 hereof, make proper provision so that each Registered Owner who exercises a Warrant after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such exercise, in addition to the shares of Common Stock issuable upon such exercise, a number of Rights to be determined as follows: (i) if such exercise occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of shares of Common Stock issuable upon such exercise at the time of such exercise would be entitled in accordance with the terms and provisions of and applicable to the

Rights; and (ii) if such exercise occurs after the Distribution Date, the same number of Rights to which a holder of the number of shares into which the Warrant to exercised was exercisable immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights, and in each case subject to the terms and conditions of the Rights.

20. Successors and Assigns. This Warrant shall be binding upon and inure to the benefit of the Registered Owners and its assigns, and shall be binding upon any entity succeeding to the Company by merger or acquisition of all or substantially all the assets of the Company. The Company may not assign this Warrant or any rights or obligations hereunder without the prior written consent of the Registered Owner. The Registered Owner may assign this Warrant without the prior written consent of the Company.

21. Transfers. The Company shall maintain a register (the "Register") containing the name and address of the Registered Owner of this Warrant, which Register can be relied upon by the Company as conclusive evidence of the Registered Owner. If the Registered Owner transfers or assigns this Warrant it shall promptly notify the Company in writing of the name and address of the person to which such transfer or assignation was made. Upon receipt of such notice the Company shall immediately update the Register to incorporate the new Registered Owner.

22. Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof. Each party hereby irrevocably submits to the nonexclusive jurisdiction of the state and federal courts sitting in the City of Albany, County of Albany, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer as of the date first set forth above.

SATCON TECHNOLOGY CORPORATION

By: /s/David B. Eisenhaure
Name:David B. Eisenhaure
Title:President/Chief Executive Officer

EXHIBIT A

Warrant Exercise Form

TO:SatCon Technology Corporation

The undersigned hereby: (1) irrevocably subscribes for and offers to purchase _____ shares of Common Stock of SatCon Technology Corporation, pursuant to Warrant No. ___ heretofore issued to _____ on _____, 199__; (2) encloses either (a) a cash payment of $_____ or (b) the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ Warrant Shares (using a Fair Market Value of $ _____ per share for purposes of this calculation); and (3) requests that a certificate for the shares be issued in the name of the undersigned and delivered to the undersigned at the address specified below.

Date:

Investor Name:

Taxpayer Identification
Number:

By:

Printed Name:

Title:

Address:

Note:The above signature should correspond exactly with the name on the face of this Warrant or with the name of assignee appearing in assignment form below.

AND, if said number of shares shall not be all the shares purchasable under the within Warrant, a new Warrant is to be issued in the name of said undersigned for the balance remaining of the shares purchasable thereunder less any fraction of a share paid in cash and delivered to the address stated above. 11

Exhibit 10.38

TOUHEY ASSOCIATES

MODIFIED GROSS LEASE

LANDLORD:Carl E. Touhey

TENANT: Mechanical Technology Inc.

LOCATION:325 Washington Avenue Extension
Albany, NY 12205

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TOUHEY ASSOCIATES

LEASE OF PREMISES

_____

This Lease is made this 10th day of August, 1999 between:

Carl E. Touhey, Pine West Plaza, Bldg. #2, Washington Avenue Extension, Albany, NY 12205

as Landlord, and

Mechanical Technology Inc., 325 Washington Avenue Extension, Albany, NY 12205

as Tenant.

ARTICLE 1: AGREEMENT

The Landlord hereby leases to and the Tenant hereby leases from the Landlord the premises described herein according to the terms and conditions of this lease.

ARTICLE 2: PREMISES

The premises consists of approximately 20,700 useable square feet of space in the building known as 325 Washington Avenue Extension, Albany, NY 12205. See Exhibit A.

ARTICLE 3: TERM

3.1The Term of this lease shall be 10 years commencing on the 1st day of December, 1999 and expiring on the 30th day of November, 2009.

3.2The Landlord will be deemed to have delivered possession of the premises to the Tenant on the date set forth in the Workletter (Exhibit B) upon substantial completion of the work set forth in the Workletter. Substantial completion means that the Tenant can use the premises for their intended purposes without material interference to its ordinary business activities and a certificate of occupancy has been granted. The premises will be completed 30 days after occupancy unless otherwise agreed by Tenant and Landlord not to be unreasonably withheld.

3.3In the event that space shall become available which is contiguous to the said 20,700 SF occupied by Tenant, Landlord shall first offer this to Tenant before actively attempting to lease at prevailing rates.

ARTICLE 4: BASE RENT

4.1The Tenant shall pay monthly rent to the Landlord according to the following schedule:

$25,012.50 Years 1-5
$26,306.25 Years 6-10

Monthly rent will be paid in advance on or before the first day of each calendar month of the term. If the lease commencement date is on a day other than the first day of a calendar month, then monthly rent will be appropriately prorated by Landlord based on the actual number of calendar days in such month. Monthly rent will be paid to Landlord, without written notice or demand, and without deduction or offset (other than deductions or offsets expressly permitted herein), in lawful money of the United States of America at Landlord's address, or to such other address as Landlord may from time to time designate in writing.

ARTICLE 5: ADDITIONAL RENT - OPERATING EXPENSES

5.1Utility Services. The Tenant shall pay directly to the Utility Company and shall solely be liable for the cost of natural gas, or other fuel, electricity, communication, or any other service used in or supplied to the demised premises throughout the term of this lease or any extension thereto.

5.2The Tenant's proportionate share is 78.80% and is calculated as follows: Tenant's useable square footage 20,700, divided by the total useable square footage in the building 26,268.

5.3The Tenant shall pay as additional rent within 30 days of receipt of the Landlord's invoice and supporting detail the Tenant's proportionate share of any increase in real and personal property taxes and assessments and any tax or assessments levied in lieu of, or in addition to, real property taxes above those incurred by the Landlord during the initial year of the lease (the base year: December 1, 1999 - November 30, 2000). The base year amount is determined by multiplying the tax rate in effect during the base year times the assessment for the parcel at full assessment. If there is a tax abatement in effect then

this amount will be calculated as if there were no abatement. Tenant reserves the right to protest the taxes if Landlord chooses not to.

ARTICLE 6: USE OF PREMISES

6.1The Tenant shall use the premises for any purpose allowed by applicable laws and ordinances including general office purposes, assembly, limited machine shop, shipping/receiving, research, a laboratory, etc. in connection with the operation of the Tenant's business.

6.2Tenant is engaged in assembly, limited machine shop, laboratory, shipping/receiving, office and research and will continue to conduct such business as it is currently conducted. Tenant will control its employees, agents and invitees in such a manner as to not create a nuisance or interfere with any other tenant in the building or park or the Landlord in its operation of the building or park.

ARTICLE 7: ASSIGNMENT AND SUBLETTING

7.1The Tenant shall not assign this lease, nor sublease, nor permit the premises or any part of the premises to be used or occupied by others without the prior written consent of the Landlord which shall not be unreasonably withheld or delayed. Landlord shall have ten (10) business days from receipt of Tenant's request to deny its consent or it will be deemed to consent. If Landlord denies consent it must explain the reasons for denial.

7.2If the Landlord consents to a proposed assignment or sublease, then the Landlord will have the right to require the Tenant to pay to Landlord (a) any

rent or other consideration paid to Tenant by any proposed transferee that is in excess of the rent allocable to the transferred space then being paid by Tenant to the Landlord pursuant to this lease; and (b) any other profit or gain (after deducting any necessary expenses incurred) realized by Tenant from any such sublease or assignment.

7.3The Landlord consents to an assignment of this lease or sublease of all or part of the premises to a wholly-owned subsidiary of the Tenant or the parent of the Tenant or to any corporation into or with which the Tenant may be merged or consolidated or to any purchaser of the stock or assets of the Tenant; provided that in the case of a sublease the Tenant promptly provides the Landlord with a fully executed copy of such assignment or sublease and that the Tenant is not released from liability under the lease.

ARTICLE 8: COMPLIANCE WITH LAWS

8.1At its sole cost and expense, Tenant will promptly comply with all laws, statutes, ordinances, and governmental rules, regulations, or requirements now in force or in force after the lease date and with the requirements of any board of fire underwriters or other similar body constituted now or after the date, insofar as they relate to the use or occupancy of the premises by the Tenant.

8.2(a)Tenant will not permit the premises to be used or operated in a manner that may cause the premises or the project to be contaminated by any hazardous materials or in violation of any hazardous materials laws.

(b)For purposes of this lease, "hazardous materials" means any explosives, radioactive materials, hazardous wastes, or hazardous substances, as defined by federal, state, or local statute, law, ordinance, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning hazardous materials, waste, or substances now or at any time hereafter in effect (collectively, "hazardous materials laws").

8.3Tenant will not do or permit to be done anything upon the premises or the project which would (a) jeopardize or be in conflict with fire insurance policies covering the project and fixtures and property in the project in existence as of August 18, 1999; (b) increase the rate of fire insurance applicable to the project to an amount higher than it otherwise would be for general office use of the project; or (c) subject Landlord to any liability or responsibility for injury to any person or persons or to property by reason of any business or operation being carried on upon the premises.

ARTICLE 9: TENANT'S CARE OF THE PREMISES

Tenant will maintain the premises in their condition at the time they were delivered to Tenant, reasonable wear and tear excluded. All damage or injury to the premises, the building or the project, that is caused by Tenant, its agents, employees, or invitees may be repaired, restored, or replaced by Landlord, at the expense of Tenant.

ARTICLE 10: ALTERATIONS

During the term, Tenant will not make or allow to be made any alterations, additions, or improvements to or of the premises or any part of the premises, or attach any fixtures or equipment to the premises, except for those

enumerated in Exhibit C or nonstructural, minor alterations, without first obtaining Landlord's written consent which will not be unreasonably withheld or delayed. All such alterations, additions, and improvements consented to by Landlord, will be made in a good and workmanlike manner and will be performed by contractors approved by Landlord and subject to conditions specified by the Landlord.

ARTICLE 11: RULES AND REGULATIONS

The Tenant and its employees, agents, licensees, and visitors will at all times observe faithfully, and comply strictly with, the rules and regulations set forth in Exhibit D, however such rules and regulations shall not be in conflict with stated use in Article 6. Landlord may from time to time reasonably amend, delete, or modify existing rules and regulations, or adopt reasonable new rules and regulations for the use, safety, cleanliness, and care of the premises, the building, and the project, and the comfort, quiet, and convenience of occupants of the building and/or the project.

ARTICLE 12: QUIET ENJOYMENT

Landlord covenants and agrees that so long as Tenant pays the rent and observes and performs all the terms and conditions of this lease, the Tenant may peaceably and quietly enjoy the premises subject to the terms and conditions of this lease, and Tenant's possession will not be disturbed by the Landlord or anyone claiming by, through, or under the Landlord.

ARTICLE 13: SUBORDINATION AND NON-DISTURBANCE

13.1 This lease and the Tenant's rights under this lease are subject and subordinate to any ground or underlying lease, mortgage, indenture, deed of trust, or other lien encumbrance (each a "superior lien"), together with any renewals, extensions, modifications, consolidations, and replacements of such superior lien, now or after the date placed, charged or enforced against the land, the building, or all or any portion of the project (except to the extent any such instrument expressly provides that this lease is superior to such instrument). This provision will be self- operative and no further instrument of subordination will be required in order to effect it. In the event a current or future mortgage holder requires a separate subordination agreement to be executed, the Tenant will, upon Landlord's request, execute same promptly.

13.2Tenant will, upon request of any person or party succeeding to the interest of Landlord, automatically become the Tenant of and attorn to such successor in interest without change in the terms or provisions of this lease.

13.3As long as the Tenant is in compliance with the terms of this lease and is not in default in the performance of its obligations under the lease, the Tenant's use and possession of the premises shall not be disturbed nor will the lease be terminated by any person or party succeeding to the Landlord's interest.

ARTICLE 14: END OF TERM

At the end of this lease, Tenant will promptly quit and surrender the premises in good order and repair, ordinary wear and tear excepted. The Tenant will remove the Tenant's trade fixtures, equipment, and furniture and will fully repair any damage occasioned by the removal of any trade fixtures, equipment or furniture. All trade fixtures, equipment, furniture, inventory and effects, on

the premises after the end of the term will be deemed conclusively to have been abandoned and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without written notice to Tenant or any other person and without obligation to account for them. Tenant will pay Landlord for all expenses incurred in connection with the removal of such property, including but not limited to the cost of repairing any damage to the building or premises caused by the removal of such property. Tenant's obligation to observe and perform this covenant will survive the expiration or other termination of this lease.

ARTICLE 15: SECURITY DEPOSIT

INTENTIONALLY OMITTED

ARTICLE 16: LANDLORD'S SERVICES

16.1The Landlord will repair and maintain, at Landlord's cost, the common areas of the project, including lobbies, corridors, and restrooms (as well as restrooms in Tenant premises), the windows in the building, the mechanical, HVAC, plumbing and electrical equipment serving the building, and the sidewalks, parking lots, grounds and structure of the building in reasonably good order and condition.

16.2The Landlord will furnish the premises, at Landlord's cost, with those services customarily provided in comparable office buildings in the vicinity of the project, including (1) water and sewer; (2) lighting replacement during business hours (for building standard lights, but not for any special tenant lights, which will be replaced at Tenant's sole cost and expense); (3) restroom supplies; (4) window washing with reasonable frequency, as determined by Landlord but no less than Spring and Fall; (5) daily cleaning service and trash removal (including restrooms in Tenant premises) on weekdays, and (6) snow and ice removal on sidewalks, parking lot and loading dock area. Landlord may provide, but will not be obligated to provide, any such services on holidays or weekends.

16.3The term "business hours" means 7:00 a.m. to 6:00 p.m. on Monday through Friday, except holidays (as that term is defined below). The term "holidays" means New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

16.4The Landlord's services herein to be provided contemplate a use similar in nature to that of a Tenant's operation as noted in Article 6. Specialized or extraordinary requirements exceeding such normal services are not included except as follows:

1) Landlord will treat anti-static floors as required. Tenant shall reimburse the Landlord for the cost of the material (wax) and labor in excess of the cost of the material for normal maintenance of VCT.

ARTICLE 17: COMMON AREAS

As used in this lease, the term "common areas" means, without limitation, the hallways, entryways, stairs, elevators, driveways, walkways, terraces, docks, loading areas, restrooms, trash facilities, and all other areas and facilities in the building or project that are provided and designated from time to time by the Landlord for the general nonexclusive use and convenience of Tenant with

Landlord and other Tenants of the building or project and their respective employees, invitees, licensees, or other visitors. The Landlord grants the Tenant, its employees, invitees, licensees, and other visitors a nonexclusive license for the term to use the common areas in common with others entitled to use the common areas, subject to the terms and conditions of this lease. Without advance written notice to Tenant, and without any liability to Tenant in any respect, provided Landlord will take no action permitted under this Article 17 in such a manner as to materially impair or adversely affect Tenant's substantial benefit and enjoyment of the premises, Landlord will have the right to:

(a)Temporarily close any of the common areas for maintenance, alteration, or improvement purposes; and

(b)Change the size, use, shape or nature of any such common areas.

ARTICLE 18: PARKING

Tenant will be entitled to use the parking spaces around the building or in the project in common with other Tenants during the term subject to the rules and regulations set forth in Exhibit D, and any amendments or additions to them. The parking spaces will be unassigned, nonreserved, and nondesignated. The Tenant uses the parking spaces at its own risk, and the Landlord will not be liable for loss or damage to any vehicle or any contents of such vehicle or accessories to any such vehicle, or any property left in any of the parking areas. Tenant shall be entitled to at least sixty (60) spaces but no more than eighty (80) spaces for Tenant's use on a regular basis.

ARTICLE 19: ENTRY BY LANDLORD

Landlord, its agents, employees, and contractors may enter the premises at any time in response to an emergency and with reasonable notice otherwise to:

(a) Inspect the premises;
(b) Exhibit the premises to prospective purchasers, lenders, or tenants;
(c) Determine whether Tenant is complying with all its obligations in this lease;
(d) Supply cleaning service and any other service to be provided by Landlord to Tenant according to this lease; or
(e) Make repairs required of Landlord under the terms of this lease or make repairs to any adjoining space or utility services or make repairs, alterations, or improvements to any other portion of the building; however, all such work will be done as promptly as reasonably possible so as to cause as little interference to Tenant as reasonably possible.

ARTICLE 20: INSURANCE

20.1 Landlord's Insurance. At all times during the term, Landlord will carry and maintain:

(a) Fire and extended coverage insurance covering the building, the project, its equipment, common area furnishings, and leasehold improvements in the premises;
(b) Bodily injury and property damage insurance; and
(c) Such other insurance as Landlord reasonably determines from time to time.

These insurance coverages and amounts will be reasonably determined by

Landlord, based on coverages carried by prudent owners of comparable buildings in the vicinity of the project. A copy of the Landlord's insurance policies will be provided to the Tenant upon written request.

20.2 Tenant's Insurance. At all times during the term, Tenant will carry and maintain, at Tenant's expense, the following insurance, in the amounts specified below or such other amounts as Landlord may from time to time reasonably request, with insurance companies and on forms satisfactory to Landlord:

(a) Bodily injury and property damage liability insurance, with a combined single occurrence limit of not less than $3,000,000. All such insurance will be equivalent to coverage offered by a commercial general liability form, including without limitation personal injury and contractual liability coverage for the performance by Tenant of the indemnity agreements set forth in Article 21 of this lease.
(b) Worker's compensation insurance satisfying Tenant's obligations and liabilities under the worker's compensation laws of the State of New York, including employer's liability insurance in the limits required by the laws of the State of New York; and
(c) If Tenant operates owned, hired, or nonowned vehicles on the project, comprehensive automobile liability at a limit of liability not less than $500,000 combined bodily injury and property damage.

20.3 Certificate of insurance, naming the Landlord as additional insured, will be delivered to the Landlord prior to the Tenant's occupancy of the premises. All commercial general liability or comparable policies maintained by Tenant will name Landlord as additional insured. All commercial general liability and property policies maintained by Tenant will be written as primary policies, not contributing with and not supplemental to the coverage that the

Landlord may carry. A copy of the Tenant's insurance policies will be provided to the Landlord upon written request.

20.4Waiver of Subrogation. The Landlord and Tenant each waive any and all rights to recover against the other or against the officers, directors, shareholders, partners, employees, agents, customers, invitees, or business visitors of such other party, for any loss or damage to such waiving party arising from any cause covered by any property insurance required to be carried by such party pursuant to this Article 20 or any other property insurance actually carried by such party to the extent of the limits of such party. Landlord and Tenant from time to time will cause their respective insurers to issue appropriate waiver of subrogation rights endorsements to all property insurance policies carried in connection with the project or the premises or the contents of the project or the premises.

ARTICLE 21: INDEMNIFICATION

21.1Except for any injury or damage to persons or property on the premises that is caused by or results from the negligence or deliberate act of Landlord, its employees, or agents, Tenant will not hold Landlord, its employees, or agents liable for, and Tenant will indemnify and hold harmless Landlord, its employees, and agents from and against, any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), liabilities, judgements, and expenses (including without limitation reasonable attorneys' fees) incurred in connection with or arising from:

(a)the use or occupancy or manner of use or occupancy of the premises by Tenant or any person claiming under Tenant;

(b) any activity, work, or thing done or permitted by Tenant in or about the premises, the building, or the project;
(c)any breach by Tenant or its employees, agents, contractors, or invitees of this lease; and
(d)any injury or damage to the person, property, or business of Tenant, its employees, agents, contractors, or invitees entering upon the premises under the express or implied invitation of Tenant.

21.2If any action or proceeding is brought against Landlord, its employees, or agents by reason of any such claim for which Tenant has indemnified Landlord, Tenant, upon written notice from Landlord, will defend the same at Tenant's expense.

ARTICLE 22: DAMAGE AND DESTRUCTION

22.1If the premises or the building are damaged by fire or other insured casualty, Landlord will give Tenant written notice of the time which will be needed to repair such damage, as determined by Landlord in its reasonable discretion, and the election (if any) which Landlord has made according to this Article 22. Such notice will be given before the 10th day (the "notice date") after the fire or other insured casualty.

22.2If the premises or the building are damaged by fire or other insured casualty to an extent which may be repaired within 30 days after the notice date, as reasonably determined by Landlord, Landlord will promptly begin to repair the damage after the notice date and will diligently pursue the completion of such repair. In that event this lease will continue in full force and effect except that monthly rent will be abated on a pro rata basis from the date of the damage until the date of the completion of such repairs (the "repair period") based on the proportion of the rentable area of the premises Tenant is unable to use during the repair period.

22.3If the premises or the building are damaged by fire or other insured casualty to an extent that may not be repaired within 30 days after the notice date, as reasonably determined by Landlord, then (1) Landlord may cancel this lease as of the date of such damage by written notice given to Tenant on or before the notice date or (2) Tenant may cancel this lease as of the date of such damage by written notice given to Landlord within 30 days after the notice date. If neither Landlord nor Tenant so elects to cancel this lease, Landlord will diligently proceed to repair the building and premises and monthly rent will be abated on a pro rata basis during the repair period based on the proportion of the rentable area of the premises Tenant is unable to use during the repair period.

22.4Notwithstanding the provisions of Subparagraphs 22.1, 22.2, and 22.3 above, if the premises or the building are damaged by uninsured casualty, or if the proceeds of insurance are insufficient to pay for the repair of any damage to the premises or the building, Landlord will have the option to repair such damage or cancel this lease as of the date of such casualty by written notice to Tenant on or before the notice date.

22.5If any such damage by fire or other casualty is the result of the willful conduct or gross negligence of Tenant, its agents, contractors, employees or invitees, there will be no abatement of monthly rent as otherwise provided for in this Article 22. Tenant will have no rights to terminate this lease on account of any damage to the premises, the building, or the project, except as set forth in this lease.

ARTICLE 23: EMINENT DOMAIN

Landlord must notify Tenant of any actions, intentions or plans of any person to take all or part of the premises by eminent domain within 10 days of Landlord's knowledge of such action, intention or plan ("Eminent Domain Notice").

If all or any of the premises may be taken by exercise of the power of eminent domain (or conveyed by Landlord in lieu of such exercise), Tenant may within 60 days of such Eminent Domain Notice notify Landlord of its intention to terminate this lease. If all the premises are to be taken by eminent domain, Tenant must terminate the lease effective as of a date (the "termination date") which is the earlier of the date upon which the condemning authority takes possession of the premises or the date on which title to the premises is vested in the condemning authority. If less than all of the premises are taken by eminent domain and Tenant elects not to terminate the lease, the monthly rent will be abated in the proportion of the rentable area of the premises so taken to the rentable area of the premises immediately before such taking, and tenant's share will be appropriately recalculated. If 25% or more of the building or the project is so taken, Landlord may cancel this lease by written notice to Tenant given as of 120 days after the Eminent Domain Notice Date. In the event of any such taking, the entire award will be paid to Landlord and Tenant will have no right or claim to any part of such award; however, Tenant will have the right to assert a claim against the condemning authority in a separate action, so long as Landlord's award is not otherwise reduced, for Tenant's moving expenses and leasehold improvements owned by Tenant.

ARTICLE 24: DEFAULT

24.1Events of Default. The following events are referred to, collectively, as "events of default" or, individually, as an "event of default":

(a)Tenant defaults in the due and punctual payment of rent, and such default continues for 10 days after written notice from Landlord; however, Tenant will not be entitled to more than 2 written notices for monetary defaults during any 12 month period, and if after such written notice any rent is not paid when due, an event of default will be considered to have occurred without further notice;
(b)This lease or the premises or any part of the premises are taken upon execution or by other process of law directed against Tenant, or are taken upon or subject to any attachment by any creditor of Tenant or claimant against Tenant, and said attachment is not discharged or disposed of within 30 days after its levy;
(c)Tenant files a petition in bankruptcy or insolvency or for reorganization or arrangement under the bankruptcy laws of the United States or under any insolvency act of any state, or admits the material allegations of any such petition by answer or otherwise, or is dissolved or makes an assignment for the benefit of creditors;
(d)Involuntary proceedings under any such bankruptcy law or insolvency act or for the dissolution of Tenant are instituted against Tenant, or a receiver or trustee is appointed for all or substantially all of the property of Tenant, and such proceeding is not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment;
(e)Tenant breaches any of the other agreements, terms, covenants, or conditions that this lease requires Tenant to perform, and such breach continues for a period of 30 days after written notice from Landlord to Tenant or, if such breach cannot be cured reasonably within such 30 day period, if Tenant fails to diligently commence to cure such breach within 30 days after

written notice from Landlord and to complete such cure within a reasonable time thereafter.

24.2Landlord's Remedies. If any one or more events of default set forth in Section 24.1 occurs then Landlord has the right, at its election:

(a)To give Tenant written notice of Landlord's intention to terminate this lease on the earliest date permitted by law or on any later date specified in such notice, in which case Tenant's right to possession of the premises will cease and this lease will be terminated, except as to Tenant's liability;
(b)Without further demand or notice, to reenter and take possession of the premises or any part of the premises, repossess the same, expel Tenant and those claiming through or under Tenant, and remove the effects of both or either, using such force for such purposes as may be necessary without prejudice to any remedies for arrears of monthly rent or other amounts payable under this lease; or
(c)Without further demand or notice to cure any event of default and to charge Tenant for the cost of effecting such cure, including without limitation reasonable attorneys' fees.

24.3Waiver of Redemption. The Tenant waives any right of redemption arising as a result of the Landlord's exercise of its remedies under this Article 24.

24.4Notice of Landlord's Default. In the event of any default in the obligation of the Landlord under this lease, Tenant will deliver to Landlord written notice listing the reasons for Landlord's default and Landlord will have 30 days following receipt of such notice to cure such default or, in the event the default cannot reasonably be cured within a 30 day period, to commence action and proceed diligently to cure such default. A copy of such notice to Landlord will be sent to any holder of a mortgage or other encumbrance on the building or project of which Tenant has been notified in writing, any such holder will also have the same time periods to cure such default. If any such default remains uncured Tenant has the right at it's election to cure such default at Landlord's expense with prior written notification given to Landlord.

24.5Self Help. If either party defaults, the other party may, without being obligated and without waiving the default, cure the default. The defaulting party shall pay upon demand, all costs, expenses, and disbursements incurred by the non-defaulting party to cure the default.

ARTICLE 25: MISCELLANEOUS

25.1Late Charges. A late charge of 5% shall be assessed to any payment of rent or additional rent not made within 10 days of the due date and shall be considered additional rent. Interest on amounts more than 10 days past due shall accrue and be payable at the rate of 1% per month.

25.2No Waiver. The waiver by Landlord of any agreement, condition, or provision contained in this lease will not be deemed to be a waiver of any subsequent breach of the same or any other agreement, condition, or provision contained in this lease, nor will any custom or practice that may grow up between the parties in the administration of the terms of this lease be construed to waive or to lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms of this lease. The subsequent acceptance of rent by Landlord will not be deemed to be a waiver of any preceding breach by Tenant or any agreement, condition, or provision of

this lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

25.3Estoppel Certificates. At any time and from time to time but within 10 days after prior written request by either party, the other party will execute, acknowledge, and deliver promptly upon request, a certificate certifying that this lease is in full force and effect and, if modified, stating the date and nature of each modification.

25.4Holding Over. Tenant will have no right to remain in possession of all or any part of the premises after the expiration of the term without the express consent of Landlord. If Tenant remains in possession of all or any part of the premises after the expiration of the term, without the express consent of Landlord: (a) such tenancy will be deemed to be a periodic tenancy from

month-to-month only; (b) such tenancy will not constitute a renewal or extension of this lease for any further term; and (c) such tenancy may be terminated by Landlord upon the earlier of 30 days prior written notice or the earliest date permitted by law. In such event, monthly rent will be increased to an amount equal to 120% of the monthly rent payable during the last month of the term, and any other sums due under this lease will be payable in the amount and at the times specified in this lease. Such month-to-month tenancy will be subject to every other term, condition, and covenant contained in this lease.

25.5Notices. Any notice, request, demand, consent, approval, or other communication required or permitted under this lease must be in writing and will be deemed to have been given when personally delivered, sent by facsimile with receipt acknowledged, deposited with any nationally recognized overnight carrier that routinely issues receipts, or deposited in any depository regularly maintained by the United States Postal Service, postage prepaid, certified mail, return receipt requested, addressed to the party for whom it is intended at its address set forth in this lease. Either Landlord or Tenant may add additional addresses or change its address for purposes of receipt of any such communication by giving 10 days prior written notice of such change to the other party in the manner prescribed in this Section 25.5.

25.6Severability. If any provision of this lease proves to be illegal, invalid, or unenforceable, the remainder of this lease will not be affected by such finding, and in lieu of each provision of this lease that is illegal, invalid, or unenforceable a provision will be added as a part of this lease as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

25.7Written Amendment Required. No amendment, alteration, modification of, or addition to the lease will be valid or binding unless expressed in writing and signed by Landlord and Tenant. Tenant agrees to make any modifications of the terms and provisions of this lease required or requested by any lending institution providing financing for the building, or project, as the case may be, provided that no such modifications will materially adversely affect Tenant's rights and obligations under this lease.

25.8Confidentiality. The terms of this lease are considered confidential and the Tenant shall not disclose any of the terms of this lease to anyone except that the Tenant shall make those disclosures in financial statements which are customarily made or such other disclosures as the Tenant may be required to make by perspective creditors of the Tenant.

25.9 Broker's Warranty. The parties warrant that CB Richard Ellis/Robert Cohn is the only broker they dealt with on this lease. Landlord is solely responsible for paying the broker's commission as per the Tenant's Request for Proposal.

25.10Entire Agreement. This lease, the exhibits and addenda, if any, contain the entire agreement between Landlord and Tenant. No promises or representations, except as contained in this lease, have been made to Tenant respecting the condition or the manner of operating the premises, the building, or the project.

25.11Binding Effect. The covenants, conditions, and agreements contained in this lease will bind and inure to the benefit of Landlord and Tenant and their respective heirs, distributees, executors, administrators, successors, and, except as otherwise provided in this lease, their assigns.

Landlord and Tenant have executed this lease as of the day and year first above written.

LANDLORD:

Carl E. Touhey

BY:
WITNESS

TENANT:

Mechanical Technology Inc.

BY:
WITNESS

STATE OF NEW YORK

COUNTY OF

On this ____ day of _____ , 19__
before me personally came
_____ to me known and
known to be the individual described in and
who executed the foregoing instrument and
acknowledges to me that he executed the
same.

_____

STATE OF NEW YORK

COUNTY OF

On this ____ day of_____ , 19__ before
me personally came _____to me
known, who being by me duly sworn, did
depose and say that he resides in
_____; that he is the
_____ of the corporation described
in and which executed the foregoing
instrument; that he knows the seal of said
corporation; that the seal affixed to said
instrument is such corporate seal; that it was
so affixed by order of the Board of Directors of
said corporation, and that he signed his name
thereto by like order.

_____

EXHIBIT B

WORKLETTER

This Exhibit is attached to and forms a part of the certain lease dated August 10, 1999 ("the lease") pursuant to which the Landlord has leased to Tenant space in the building known as 325 Washington Avenue Extension, Albany, NY 12205.

The Landlord will make, at Landlord's sole cost, the following alterations to the premises:

Construct floor plan as indicated on Exhibit A and A-1:

1. Erect sheetrock partitions and doors as indicated. All sheetrock walls to receive two (2) coats of paint (one (1) color to be selected by Tenant).

2. Ceiling to be 2' x 4' tile in a T-bar grid system using building standard tile unless otherwise indicated. Ceiling height to be 9' except in clean room which shall be 10'.

3. Unless otherwise indicated in Exhibit A-1 lighting to be building standard 2' x 4' recessed fluorescent fixtures at a rate of at least one (1) fixture/80SF. The assembly, parts, engineering lab and machine shop have different light fixture placement requirements which will be accommodated in lighting plan.

4. Electrical light switches and duplex convenience outlets as reasonably necessary (one (1) switch per room, one (1) outlet per wall) including up to two (2) dedicated circuits unless otherwise noted.

5. HVAC supply and return ducts as reasonably necessary. Computer room to receive separate HVAC system (shall control both temperature and humidity) and thermostat zone control. The unit shall be mounted in the ceiling of the room. Clean room air intake must be tied directly to HVAC and have a separate thermostat zone control.

6. All work related to communications shall be the Tenant's responsibility.

7. Tenant to provide cleanroom. Landlord to install.

8. Floor covering as follows (per Exhibit A-1): 26 oz. commercial grade carpet with minimum of ten (10) year warranty (one (1) color to be selected by Tenant), VCT tile - building standard (one (1) color to be selected by Tenant), VCT anti-static tile (one (1) color to be selected by Tenant).

9. Provide roof penetrations for anti-static VCT areas requiring exhaust systems.

10. Landlord to install compressor, vacuum pump, and exhaust system (provided by Tenant) as per finalized Exhibit A. Compressor, vacuum and exhaust systems - Landlord to replicate Tenant's existing systems. Landlord will not be designing systems for Tenant.

11. Tenant occupancy date for substantial completion to be November 19, 1999.

12. Landlord to provide keys for office doors in demised premises. Tenant to provide additional security system with swipe cards over and above keyed locks.

13. Countertops/cabinets to be provided by Landlord in the kitchen area and conference room only. Tenant to provide all other furniture and shelving.

14. Landlord to provide roof penetration and installation of smoke eater unit (provided by Tenant).

15. Landlord to provide two (2) roof penetrations for exhaust systems in assembly area (provided by Tenant).

This Lease shall not be valid until Exhibit A (floor plan and mechanicals) have been mutually agreed to by Landlord and Tenant.

EXHIBIT C

TENANT ALTERATIONS

This Exhibit is attached to and forms a part of the certain lease dated August 10, 1999 ("the lease") pursuant to which the Landlord has leased to Tenant space in the building known as 325 Washington Avenue Extension, Albany, NY 12205.

The Landlord grants the Tenant permission to make the following alterations to the premises, at Tenant's sole cost, in accordance with Article 10 of this lease:

1. All work in accordance with Tenant's security system and communications.

2. Installation of a free standing sign between the building and parallel to Frontage Road. The sign shall be in accordance with municipal code and shall not exceed twenty square feet. Tenant shall have the right to change the face of the sign at will.

EXHIBIT D

RULES AND REGULATIONS

1.The sidewalks, halls, passages, exits, entrances, elevators, and stairways of the building will not be obstructed by any Tenants or used by any of them for any purpose other than for ingress to and egress from their respective premises. No Tenant and no employee or invitee of any Tenant will go upon the roof of the building. No Tenant will be permitted to place or install any object on the exterior of the building or on the roof of the building without the Landlord's written permission.

2.No sign, placard, picture, name, advertisement, or written notice visible from the exterior of Tenant's premises will be inscribed, painted, affixed, or otherwise displayed by Tenant on any part of the building or the premises without the prior written consent of Landlord except as indicated in Exhibit C. All approved signs or lettering on doors will be printed, painted, affixed, or inscribed at the expense of the Tenant by a person approved by Landlord. Other than draperies expressly permitted by Landlord and building standard mini-blinds, material visible from outside the building will not be permitted.

3.No cooking will be done or permitted by any Tenant on the premises. Use by the Tenant of refrigerators, microwave ovens and Underwriters' Laboratory approved equipment for brewing coffee, tea, hot chocolate, and similar beverages will be permitted.

4. No Tenant will employ any person or persons other than the cleaning service of Landlord for the purpose of cleaning the premises, unless otherwise agreed to by Landlord in writing. The Tenant upon 60 day written notice to Landlord, may elect to provide for cleaning services. In such case the Landlord shall provide a monthly rent abatement of $1,300.

5.The toilet rooms, toilets, urinals, wash bowls and other plumbing fixtures will not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags, or other foreign substances will be thrown in such plumbing fixtures. All damages resulting from any misuse of the fixtures will be borne by the Tenant who, or whose servants, employees, agents, visitors, or licensees, caused the same.

6.No Tenant will in any way deface any part of the premises or the building of which they form a part.

7.No Tenant will alter, change, replace, or rekey any lock or install a new lock on any entry door to the premises without the Landlord's permission. Landlord, its agents, or employees will retain a key to all entry door locks to the premises. Each Tenant, upon termination of its tenancy, will deliver to Landlord all keys and access cards for the premises and building that have been furnished to such Tenant.

8.Upon the initial move into the premises and the final move out of the premises the persons employed to move Tenant's equipment, material, furniture, or other property in or out of the building must be acceptable to Landlord and must be bonded and fully insured. Tenant will be responsible for the provision of building security during all moving operations, and will be liable for all losses and damages sustained by any party as a result of the failure to supply adequate security. Any damage done to the building by moving or maintaining such property will be repaired at the expense of Tenant. Supplies, goods, materials, packages, furniture, and all other items of every kind delivered to or taken from the premises will be delivered or removed through the entrance and route designated by Landlord.

9.No Tenant will use or keep in the premises or the building any kerosene, gasoline, or inflammable or combustible or explosive fluid or material or chemical substance other than limited quantities of such materials or substances reasonably necessary for the operation or maintenance of office equipment or limited quantities of cleaning fluids and solvents required in Tenant's normal operations in the premises. Without Landlord's prior written approval, no Tenant will use any method of heating or air conditioning other than that supplied by Landlord. No Tenant will use or keep or permit to be used or kept any foul or noxious gas or substance in the premises. Tenant shall provide MSDS sheets to Landlord for all hazardous materials.

10.Tenant will not bring any animals (except "Seeing Eye" dogs) or birds into the building, and will not permit bicycles or other vehicles inside or on the sidewalks outside the building except in areas designated from time to time by Landlord for such purposes.

11.All persons entering or leaving the building between the hours of 6:00 p.m. and 7:00 a.m. Monday through Friday, and at all hours on Saturdays, Sundays, and holidays will comply with such off- hour regulations as Landlord may establish and modify from time to time. Tenant and Tenant's employees will be responsible for locking building doors when they leave the building during these hours.

12. Each Tenant will store all its trash and garbage within its premises. The Tenant will comply with all Municipal, State and Federal laws as they relate to refuse removal and recycling. Removal of any furniture or furnishings, large equipment, packing crates, packing materials, and boxes will be the responsibility of each Tenant and such items may not be disposed of in the building trash receptacles nor will they be removed by the building's janitorial service, except at Landlord's sole option and at the Tenant's expense. Landlord will provide a 6 yard dumpster for cardboard to be placed at the rear of the property screened by a reasonable enclosure. Landlord to pay for cost of dumpster to be taken 1/week. Any additional cost to be paid by Tenant.

13.Canvassing, peddling, soliciting, and distributing handbills or any other written materials in the building are prohibited, and each Tenant will cooperate to prevent the same.

14.The requirements of the Tenants will be attended to only upon application by written, personal, or telephone notice at the office of the Landlord. Employees of Landlord will not perform any work or do anything outside of their regular duties unless under special instructions from Landlord.

15.A directory of the building will be provided for the display of the name of Tenants only. All entries on the building directory will conform to standards and style set by Landlord in its sole discretion and will be paid for by the Tenant. No Tenant will have any right to the use of any exterior sign.

16.Tenant will see that the doors of the premises are closed and locked and that all water faucets, water apparatus, and utilities are shut off before Tenant or Tenant's employees leave the premises.

17.Tenant will not bring on to the premises or store on the premises firearms, munitions or explosives of any type.

18.Tenant (including Tenant's employees, agents, invitees, and visitors) will use the parking spaces solely for the purpose of parking passenger cars, small vans, and small trucks and will comply in all respects with any rules and regulations that may be promulgated by Landlord from time to time with respect to the parking areas. The parking areas may be used by Tenant, its agents, or employees, for occasional overnight parking of vehicles. Tenant will ensure that any vehicle parked in any of the parking spaces will be kept in proper repair and will not leak excessive amounts of oil or grease or any amount of gasoline.

EXHIBIT E

JANITORIAL SERVICES SCHEDULE

The Landlord shall provide the following janitorial services to the Tenant on a 5 day a week (holidays excluded) basis.

A)Tenant's Office Area

The following tasks will be performed on a daily basis:

1)empty baskets

2) dust office furniture (note: janitorial personnel are not authorized to touch or move anything on desks or cabinets).
3)vacuum carpets
4)empty/wash ash trays
5)damp mop hard surface/tile floors
6)spot clean entrance glass/glass tops
7)clean sinks, counter tops, and table tops

The following additional tasks will be performed:

8)dust venetian blinds twice per mont
9)high and low dusting once per week
10)change waste receptacle liners as needed
11)clean tenant entrance glass once per week
12)spray buff resilient floor tile twice per month
13)strip and wax resilient floor once per quarter
14)clean exterior windows three times per year
15)clean carpets semi-annually (Landlord shall not be responsible for moving any furniture)

*NOTE: Anti-static VCT shall be maintained in accordance with manufacturers recommendation which may differ from standard VCT. Tenant to pay for additional cost of labor and materials required to maintain this VCT above the cost to maintain standard VCT.

B)Rest Rooms

The following tasks will be performed on a daily basis:

1)clean and disinfect toilets and urinals
2)damp mop and disinfect floors
3)clean mirrors
4)clean sinks and counter tops
5)empty waste receptacles
6)vacuum carpeted areas
7)dust partitions
8)fill toilet tissue and paper towel dispensers

The following additional tasks will be performed:

9)spot clean walls and partitions as needed
10)refill soap dispensers as needed
11)wash partitions once per quarter
12)wash walls once per quarter

13)machine clean restroom floors once per quarter

C)Common Entrance Lobbies and Hall Ways

The following tasks will be performed on a daily basis:

1)vacuum carpeted areas
2)damp mop hard tile floors
3)vacuum walk off mats
4) clean entrance doors

The following additional tasks will be performed:

5)mop baseboard once per week
6)high dusting once per week
7)clean exterior windows as necessary
8)shampoo carpeted areas once per quarter

EXHIBIT 10.39

FORM OF REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is entered into as of November 1, 1999 by and among Plug Power Inc., a Delaware corporation (the "Company"), and each of the parties executing a signature page hereto (each a "Holder" and collectively the "Holders").

WHEREAS, the Holders are the owners of the number of shares of the common stock, par value $.01 per share, of the Company (the "Common Stock") set forth opposite their respective names on Exhibit A attached hereto (collectively, the "Shares").

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

The parties hereby agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following terms have the following meanings:

"Commission" means the Securities and Exchange Commission.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof.

"Prospectus" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, and by all other amendments and supplements to the prospectus, including post-effective amendments, and in each case including all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

"Registrable Securities" means the Shares and any shares of Common Stock issued or issuable with respect to the Shares by reason of a stock dividend or stock split, recapitalization or similar transaction, but excludes (i) Shares the sale of which is covered by a Registration Statement that has been declared effective under the Securities Act, (ii) Shares eligible for sale pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act, including a sale pursuant to the provisions of Rule 144(k), and (iii) Shares sold

pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act, including a sale pursuant to the provisions of Rule 144(k).

"Registration Statement" means any registration statement of the Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such registration statement, including post-effective amendments, in each case including the Prospectus, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"Securities Act" means the Securities Act of 1933, as amended from time to

time, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

SECTION 2. PIGGYBACK REGISTRATION.

(a) If at any time or times after the date hereof while any Registrable Securities are outstanding the Company proposes to register under the Securities Act any shares of Common Stock (other than (i) a registration on Form S-8 or any successor form or in connection with any employee or director welfare, benefit or compensation plan, (ii) a registration on Form S-4 or any successor form or in connection with an exchange offer, (iii) a registration in connection with a securities or rights offering exclusively to the Company's securityholders, (iv) a registration in connection with an offering solely to employees of the Company or its affiliates, (v) a registration relating to a transaction pursuant to Rule 145 or any other similar rule of the Commission under the Securities Act or (vi) a shelf registration), then the Company will give written notice of such proposed registration to the Holders at least ten (10) business days before the filing of any Registration Statement with respect thereto. If within five (5) business days after such notice is given, the Company receives a written request from any Holder for the inclusion in such Registration Statement of some or all of the Registrable Securities held by such Holder (which request will specify the number of Registrable Securities intended to be disposed of by such Holder and the intended method of distribution thereof), the Company will (subject to the provisions of paragraphs (b) and (c) of this Section 2) include such Registrable Securities in such Registration Statement. The Company may withdraw a Registration Statement filed under this Section 2 at any time prior to the time it becomes effective, provided that the Company will give prompt notice of such withdrawal to the Holders which requested to be included in such Registration Statement. Each Holder shall have the right to request inclusion of such Holder's Registrable Securities in up to three Registration Statements pursuant to this Section 2(a). The rights of the Holders under this Section 2(a) will terminate on the date on which the third Registration Statement to which such rights apply is declared effective by the Commission.

(b) In connection with any registration under this Section 2 involving an underwriting (an "Underwritten Offering"), the Company will not be required to include a Holder's Registrable Securities in such Underwritten Offering unless such Holder accepts the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company. If the managing underwriter(s) of an Underwritten Offering advises the Company that the number of securities to be sold in such Underwritten Offering, including by Persons other than the Company (including the Holders) (collectively, the "Selling Stockholders"), is greater than the number which can be offered without adversely affecting such Underwritten Offering, including, without limitation, the price range or probability of success of such Underwritten Offering, then the Company will include in such Underwritten Offering in the following priority: (i) first, all shares the Company proposes to sell and (ii) second, that number of shares of Common Stock proposed to be sold by the Selling Stockholders (including Registrable Securities proposed to be sold by the Holders) which, in the opinion of such managing underwriter(s), can be sold without adversely affecting such Underwritten Offering, including, without limitation, the price range or probability of success of such Underwritten Offering, which shares shall be allocated among the Selling Stockholders (including the Holders requesting registration) on a pro rata basis according to the relationship that the number of shares requested to be included by each Selling Stockholder (including the Registrable Securities requested to be included by each Holder) in such Underwritten Offering bears to the total number of shares requested to be registered by all Selling Stockholders (including the total number of Registrable Securities requested to be registered by all Holders).

(c) Each Holder hereby agrees that such Holder may not participate in

any Underwritten Offering unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in the underwriting arrangements applicable to such Underwritten Offering and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of the underwriting arrangements for such Underwritten Offering.

SECTION 3. REGISTRATION PROCEDURES.

(a) The Company will notify each Holder whose Registrable Securities are included in a Registration Statement of the effectiveness of such Registration Statement and will furnish to each such Holder, without charge, such number of conformed copies of such Registration Statement and any post-effective amendment thereto and such number of copies of the Prospectus (including each preliminary Prospectus) and any amendments or supplements thereto, as such Holder may reasonably request in order to facilitate the sale of such Holder's Registrable Securities.

(b) The Company will promptly notify each Holder requesting registration of, and confirm in writing, any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus related thereto or for additional information. In addition, the Company will promptly notify each such Holder of, and confirm in writing, the

filing of the Registration Statement, any Prospectus supplement related thereto or any post-effective amendment to the Registration Statement and the effectiveness of any post-effective amendment.

(c) The Company will use commercially reasonable efforts to register or qualify the Registrable Securities covered by any Registration Statement under such other securities or "blue sky" laws of such states of the United States as any Holder requesting registration reasonably requests; provided, however, that the Company will not be required (i) to qualify as a foreign corporation to do business in any jurisdiction in which it is not then qualified, (ii) to file any general consent to service of process, or (iii) to subject itself to taxation in any jurisdiction where it would not otherwise be subject to taxation.

(d) At any time when a Prospectus relating to the Registration Statement is required to be delivered under the Securities Act, the Company will promptly notify each Holder holding Registrable Securities covered by such Registration Statement of the happening of any event as a result of which the Prospectus included in the Registration Statement includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In such event, the Company will promptly prepare and file with the Commission and furnish to each such Holder a reasonable number of copies of a supplement or amendment to such Prospectus so that, as thereafter deliverable to the purchasers of Registrable Securities, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4. REGISTRATION EXPENSES. The Company will bear all expenses incurred in connection with the registration of the Registrable Securities pursuant to Section 2 of this Agreement; provided, however, that the Holders will be responsible and will pay for (i) any brokerage or underwriting discounts and commissions and taxes of any kind (including, without limitation, transfer taxes) with respect to any disposition, sale or transfer of Registrable Securities, (ii) any fees or expenses of any counsel, accountants or other persons retained or employed by the Holders and (iii) out-of-pocket expenses of the Holders and their agents, including, without limitation, any travel costs.

SECTION 5. INDEMNIFICATION AND CONTRIBUTION.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Holder, its officers, directors, employees and agents and each Person, if any, which controls such Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (collectively, "Controlling Persons"), from and against all losses, claims, damages, liabilities and expenses (including

without limitation any legal or other fees and expenses reasonably incurred by any Holder or any such Controlling Person in connection with defending or investigating any action or claim in respect thereof) (collectively, "Damages") to which any of them may become subject under the Securities Act or otherwise, insofar as such Damages arise out of or are based upon (i) any untrue or alleged untrue statement of material fact contained in any Registration Statement (including any related preliminary or final Prospectus) pursuant to which Registrable Securities of such Holder were registered under the Securities Act, or (ii) any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as and to the extent that such statement or omission arose out of or was based upon information regarding such Holder or its plan of distribution which was furnished to the Company by such Holder for use therein, provided, further that the Company will not be liable to any person who participates as an underwriter in the offering or sale of Registrable Securities or any Controlling Person of such underwriter, in any such case to the extent that any such Damages arise out of or are based upon (A) an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement (including any related preliminary or final Prospectus) in reliance upon and in conformity with information furnished to the Company for use in connection with the Registration Statement or the Prospectus contained therein by such underwriter or Controlling Person or (B) the failure of such underwriter or Controlling Person to send or give a copy of the final Prospectus furnished to it by the Company at or prior to the time such action is required by the Securities Act to the person claiming an untrue statement or alleged untrue statement or omission or alleged omission if such statement or omission was corrected in such final prospectus. The obligations of the Company under this Section 5(a) shall survive the completion of any offering of Registrable Securities pursuant to a Registration Statement under this Agreement or otherwise and shall survive the termination of this Agreement.

(b) Indemnification by the Holders. Each Holder agrees to indemnify and hold harmless, to the full extent permitted by law, the Company, its directors, officers, employees and agents and each Controlling Person of the Company, from and against any and all Damages to which any of them may become subject under the Securities Act or otherwise to the extent such Damages arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission based upon (i) any untrue statement or alleged untrue statement of material fact contained in any Registration Statement (including any related preliminary or final Prospectus), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, if and to the extent that such statement or omission arose out of or was based upon information regarding such Holder or its plan of distribution which was furnished to the Company by such Holder for use therein, or (ii) the failure by such Holder to deliver or cause to be delivered to any purchaser of the shares covered by the Registration Statement the Prospectus contained in the Registration Statement (as amended or supplemented, if applicable) furnished by the Company to such Holder. Notwithstanding the foregoing, (A) in no event will a Holder have any obligation under this Section 5(b) for amounts the Company pays in settlement of any such loss, claim, damage,

liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld) and (B) the total amount for which a Holder shall be liable under this Section 5(b) shall not in any event exceed the aggregate proceeds received by such Holder from the sale of the Holder's Registrable Securities in such registration. The obligations of the Holders under this Section 5(b) shall survive the completion of any offering of Registrable Securities pursuant to a Registration Statement under this Agreement or otherwise and shall survive the termination of this Agreement.

(c) Contribution. To the extent that the indemnification provided for in paragraph (a) or (b) of this Section 5 is held by a court of competent jurisdiction to be unavailable to an indemnified party in respect of any Damages, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, will contribute to the amount paid or payable by such indemnified party as a result of such Damages (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand, and each Holder on the other, from the offering of the Registrable Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Holders, on the other, in connection with the statements or omissions which resulted in such Damages, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Holders on the other hand will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that in no event shall the obligation of any indemnifying party to contribute under this Section 5(c) exceed the amount that such indemnifying party would have been obligated to pay by way of indemnification if the indemnification provided for under paragraph (a) or (b) of this Section 5 had been available under the circumstances.

If indemnification is available under paragraph (a) or (b) of this Section 5, the indemnifying parties will indemnify each indemnified party to the full extent provided in such paragraphs without regard to the relative benefits to or relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 5(c).

The Company and each Holder agrees that it would not be just or equitable if contribution pursuant to this Section 5(c) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to herein.

No indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation.

SECTION 6. MARKET STAND-OFF. Each Holder whose Registrable Securities are covered by a Registration Statement filed pursuant to Section 2 hereof agrees, if requested by the Company in the case of a nonunderwritten offering (a "Nonunderwritten Offering" and, together with an Underwritten Offering, an "Offering") or if requested by the managing underwriter(s) in an Underwritten Offering, not to effect any public sale or distribution of any of any securities of the Company of any class included in such Offering, including a sale pursuant to Rule 144 or Rule 144A under the Securities Act (except as part of such Offering), during the 15-day period prior to, and during the 180-day period (or such longer period as may be required by the managing underwriter(s)) beginning on, the date of pricing of each Offering, to the extent timely notified in writing by the Company or the managing underwriter(s).

SECTION 7. COVENANTS OF HOLDERS. Each Holder will (a) furnish to the Company such information regarding such Holder and such Holder's intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request in writing in order to comply with the Securities Act and the provisions of this Agreement, (b) to the extent required by the Securities Act, deliver or cause delivery of the Prospectus contained in the Registration Statement to any purchaser of such Holder's Registrable Securities covered by the Registration Statement, (c) promptly notify the Company of any sale of Registrable Securities by such Holder and (d) notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by the Holder to the Company or of the occurrence of any event, in either case as a result of which any Prospectus contains or would contain an untrue statement of a material fact regarding the Holder or the Holder's intended method of distribution of the Registrable Securities or omits or would omit to state any material fact regarding the Holder or the Holder's intended method of distribution of the Registrable Securities required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly furnish to the Company any additional information required to correct and update any previously furnished information or required so that the Prospectus will not contain, with respect to the Holder or the Holder's intended method of distribution of the Registrable Securities, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

SECTION 8. MISCELLANEOUS.

(a) Amendments and Waivers. The provisions of this Agreement, including this Section 8(a), may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof will not be effective, unless the Company has obtained the written consent of the Holders of a majority in interest of the Registrable Securities then outstanding; provided, however, that any such amendment, modification, supplement or waiver which materially adversely affects the rights of any Holder shall require the prior written consent of such Holder.

(b) Notices. Except as set forth below, all notices and other communications provided for or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or sent by facsimile, registered or certified mail (return receipt requested), postage prepaid or courier or overnight delivery service to the Company at the following address and to each Holder at the address set forth below such Holder's signature to this Agreement (or at such other address for any party as shall be specified by like notice, provided that notices of a change of address shall be effective only upon receipt thereof), and further provided that in case of directions to amend the Registration Statement pursuant to Section 7, a Holder must confirm such notice in writing by overnight express delivery with confirmation of receipt:

If to the Company: Plug Power Inc.
968 Albany-Shaker Road
Latham, New York 12110
Attention: General Counsel
Facsimile No.: 518-782-7914

In addition to the manner of notice permitted above, notices given pursuant to Sections 1 and 6 hereof may be effected telephonically and confirmed in writing thereafter in the manner described above.

(c) Successors and Assigns. This Agreement will inure to the benefit of and be binding upon the successors of each of the parties. No Holder may assign any of its rights hereunder without the prior written consent of the Company and any attempted assignment by any Holder without such consent will be void and of

no effect and will terminate all obligations of the Company hereunder with respect to such Holder.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same agreement.

(e) Headings. The headings in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning hereof.

(f) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to principles of conflicts of law.

(g) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein will not be in any way

impaired thereby, it being intended that all of the rights and privileges of the Holders will be enforceable to the fullest extent permitted by law.

(h) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and is intended to be the complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter, including such agreements and understandings contained in the Limited Liability Company Agreement forming Plug Power, LLC.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of the date first set forth above.

PLUG POWER INC.

Gary Mittleman
Chief Executive Officer

REGISTRATION RIGHTS AGREEMENT
HOLDER SIGNATURE PAGE

EDISON DEVELOPMENT CORPORATION

Name:

Title:

Address for Notice:

MECHANICAL TECHNOLOGY INCORPORATED

Name:
Title:

Address for Notice:

GE ON-SITE POWER, INC.

Name:
Title:

Address for Notice:

Michael J. Cudahy

Address for Notice:

ANTEAUS ENTERPRISES, INC.

Name:
Title:

Address for Notice:

ANTEAUS RETIREMENT BENEFITS PLAN [2]

Name:
Title:

Address for Notice:

Kevin Linsey

Address for Notice:

EXHIBIT A

HOLDER	NUMBER OF SHARES
Edison Development Corporation	13,704,315
Mechanical Technology Incorporated	13,704,315

GE On-Site Power, Inc.	5,250,000
Michael J. Cudahy	1,840,000
Southern California Gas Company	1,350,000
Antaeus Enterprises [1]	
Antaeus Enterprises [2]	[299,850]
Kevin Linsey	60,000

Exhibit 10.40

Lock-Up Agreement

November 1, 1999

Goldman, Sachs & Co.
Hambrecht & Quist LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
First Albany Corporation
c/o Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004

Re:Plug Power Inc. - Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that you, as representatives (the "Representatives"), have entered into an Underwriting Agreement on behalf of the several Underwriters named in Schedule I to such agreement (collectively, the "Underwriters"), with Plug Power Inc., a newly- formed Delaware corporation (the "Company") that will succeed by merger (the "Merger") immediately prior to the offering described below to all the assets and liabilities of Plug Power, L.L.C., a Delaware limited liability company (the "LLC"), providing for a public offering of the Common Stock of the Company (the "Shares") pursuant to a Registration Statement on Form S-1 filed with the Securities and Exchange Commission (the "SEC").

In consideration of the agreement by the Underwriters to offer and sell the Shares, and of other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period beginning from the date of the final Prospectus covering the public offering of the Shares and continuing to and including the date 180 days after the date of such final Prospectus, the undersigned will not offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any Membership Interests in the LLC or shares of Common Stock of the Company, or any options or warrants to purchase any Membership Interests in the LLC or shares of Common Stock of the Company, or any securities convertible into, exchangeable for or that represent the right to receive Membership Interests in the LLC or shares of Common Stock of the Company, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC (collectively the "MTI Shares").

The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the MTI Shares even if such Shares would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the

MTI Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares.

The undersigned further represents and agrees that the undersigned has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares, or which has otherwise constituted or will constitute any prohibited bid for or purchase of the Shares or any related securities.

Notwithstanding the foregoing, the undersigned may (i) transfer the MTI Shares as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (ii) transfer the MTI

Shares to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) pledge the MTI Shares to KeyBank pursuant to that certain Stock Pledge Agreement, dated as of November 2, 1999, by and among the undersigned and KeyBank (a copy of which is attached hereto as Exhibit A), provided that KeyBank executes the letter attached hereto as Exhibit B, agreeing to be bound by the restrictions set forth herein with respect to the MTI Shares, or (iv) with the prior written consent of Goldman, Sachs & Co. on behalf of the Underwriters. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. In addition, notwithstanding the foregoing, if the undersigned is a corporation, the corporation may transfer the capital stock of the Company to any wholly-owned subsidiary of such corporation; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of this Agreement and there shall be no further transfer of such capital stock except in accordance with this Agreement, and provided further that any such transfer shall not involve a disposition for value. The undersigned now has, and, except as contemplated by clause (i), (ii), (iii), or (iv) above, for the duration of this Lock- Up Agreement will have, good and marketable title to the Undersigned's Membership Interests in the LLC (prior to effectiveness of the Merger) and Shares (after effectiveness of the Merger), free and clear of all liens, encumbrances, and claims whatsoever. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the MTI Shares except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns.

Very truly yours,
MECHANICAL TECHNOLOGY INCORPORATED

By:_____
Name:Cynthia A. Scheuer
Title:Vice President and CFO

Exhibit A

Stock Pledge Agreement

Exhibit B

[Letterhead of KeyBank]

Goldman, Sachs & Co.
Hambrecht & Quist LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
First Albany Corporation
c/o Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004

Re: Plug Power Inc. - Mechanical Technology Incorporated Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that you, as representatives (the "Representatives"), have entered into an Underwriting Agreement on behalf of the several Underwriters named in Schedule I to such agreement (collectively, the "Underwriters"), with Plug Power Inc., a Delaware corporation (the "Company"), and Plug Power, LLC, providing for a public offering of the Common Stock of the Company (the "Shares") pursuant to a Registration Statement on Form S-1 filed with the Securities and Exchange Commission (the "SEC").

The undersigned also understands that in connection with such offering you have received a Lock-up Agreement dated as of November 2, 1999, from Mechanical Technology Incorporated ("MTI"), an executed copy of which is attached hereto as Exhibit A (the "MTI Lock-Up Agreement"). The undersigned further understands that the MTI Lock-Up Agreement permits MTI to pledge the MTI Shares (as defined therein) to the undersigned, only upon the execution by the undersigned of this agreement.

In consideration of the agreement by the Underwriters to offer and sell the Shares and to permit the pledge of the MTI shares to the undersigned, and of other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby agrees, with respect to the MTI Shares, to be bound by all of the restrictions applicable to MTI and the MTI Shares under the MTI Lock-Up Agreement, to the same extent and on the same terms and conditions as would have been applicable to MTI thereunder in the absence of the pledge of MTI Shares to the undersigned. The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns.

Very truly yours,

KEYBANK

By:_____
  Name:
Title:

Exhibit 21

SUBSIDIARIES OF MECHANICAL TECHNOLOGY INCORPORATED

Subsidiary Name	Jurisdiction of Incorporation or Organization
Turbonetics Energy, Inc.	New York
Ling Electronics, Ltd.	United Kingdom
MTI International, Inc.	Guam
Ling Electronics, Inc.	California

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