

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

Commission file number 001-36103



TECOGEN INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

04-3536131
(IRS Employer Identification No.)

45 First Avenue
Waltham, Massachusetts
(Address of Principal Executive Offices)

02451
(Zip Code)

Registrant's Telephone Number, Including Area Code: (781) 622-1120

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Title of each class	Outstanding, June 30, 2015
Common Stock, \$0.001 par value	16,338,782

TECOGEN INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2015
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements	1
Condensed Consolidated Balance Sheets - June 30, 2015 and December 31, 2014 (unaudited)	1
Condensed Consolidated Statements of Operations - three and six months ended June 30, 2015 and 2014 (unaudited)	2
Condensed Consolidated Statements of Cash Flows - six months ended June 30, 2015 and 2014 (unaudited)	3
Notes to Condensed Consolidated Financial Statements (unaudited)	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3. Quantitative and Qualitative Disclosures About Market Risk	12
Item 4. Controls and Procedures	13

PART II - OTHER INFORMATION

Item 5. Other information	13
Item 6. Exhibits	14
Signatures	15

References in this Form 10-Q to "we", "us", "our", the "Company" and "Tecogen" refers to Tecogen Inc. and its consolidated subsidiary, unless otherwise noted.

TECOGEN INC.

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

As of June 30, 2015 and December 31, 2014

(unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,609,719	\$ 1,186,033
Short-term investments, restricted	294,655	585,702
Accounts receivable, net	4,512,448	4,750,437
Unbilled revenue	1,592,913	696,912
Inventory, net	3,786,741	4,090,221
Due from related party	972,821	600,251
Deferred financing costs, current portion	50,201	50,201
Prepaid and other current assets	509,832	348,868
Total current assets	13,329,330	12,308,625
Property, plant and equipment, net	572,146	658,421
Intangible assets, net	1,054,966	1,011,300
Goodwill	40,870	40,870
Deferred financing costs, net of current portion	24,091	48,990
Other assets	58,425	53,325
TOTAL ASSETS	\$ 15,079,828	\$ 14,121,531
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,332,255	\$ 2,416,313
Accrued expenses	1,339,600	1,008,153
Deferred revenue	776,064	1,666,576
Total current liabilities	5,447,919	5,091,042
Long-term liabilities:		
Deferred revenue, net of current portion	384,906	207,153
Senior convertible promissory note, related party	3,000,000	3,000,000
Total liabilities	8,832,825	8,298,195
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Tecogen Inc. stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 16,338,782 and 15,905,881 issued and outstanding at June 30, 2015 and December 31, 2014, respectively	16,339	15,906
Additional paid-in capital	26,494,188	25,088,213
Accumulated deficit	(19,935,328)	(18,955,023)
Total Tecogen Inc. stockholders' equity	6,575,199	6,149,096
Noncontrolling interest	(328,196)	(325,760)
Total stockholders' equity	6,247,003	5,823,336
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,079,828	\$ 14,121,531

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

TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and six months ended June 30, 2015 and 2014

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues				
Products	\$ 3,345,571	\$ 2,007,926	\$ 6,883,446	\$ 3,952,702
Services	3,038,260	2,531,931	5,603,819	4,802,912
Total revenues	<u>6,383,831</u>	<u>4,539,857</u>	<u>12,487,265</u>	<u>8,755,614</u>
Cost of sales				
Products	2,224,415	1,587,145	4,778,053	2,991,584
Services	2,018,526	1,604,039	3,343,347	2,989,131
Total cost of sales	<u>4,242,941</u>	<u>3,191,184</u>	<u>8,121,400</u>	<u>5,980,715</u>
Gross profit	<u>2,140,890</u>	<u>1,348,673</u>	<u>4,365,865</u>	<u>2,774,899</u>
Operating expenses				
General and administrative	1,890,503	1,911,071	4,077,632	3,673,063
Selling	324,384	405,108	818,058	826,728
Research and development	228,318	251,582	404,481	559,716
Total operating expenses	<u>2,443,205</u>	<u>2,567,761</u>	<u>5,300,171</u>	<u>5,059,507</u>
Loss from operations	<u>(302,315)</u>	<u>(1,219,088)</u>	<u>(934,306)</u>	<u>(2,284,608)</u>
Other income (expense)				
Interest and other income	685	15,079	9,788	18,164
Interest expense	(30,351)	(57,382)	(60,410)	(92,152)
Total other expense, net	<u>(29,666)</u>	<u>(42,303)</u>	<u>(50,622)</u>	<u>(73,988)</u>
Loss before income taxes	<u>(331,981)</u>	<u>(1,261,391)</u>	<u>(984,928)</u>	<u>(2,358,596)</u>
Consolidated net loss	<u>(331,981)</u>	<u>(1,261,391)</u>	<u>(984,928)</u>	<u>(2,358,596)</u>
Less: (Income) loss attributable to the noncontrolling interest	<u>(30,858)</u>	<u>31,684</u>	<u>4,625</u>	<u>90,844</u>
Net loss attributable to Tecogen Inc.	<u>\$ (362,839)</u>	<u>\$ (1,229,707)</u>	<u>\$ (980,303)</u>	<u>\$ (2,267,752)</u>
Net loss per share - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.15)</u>
Weighted average shares outstanding - basic and diluted	<u>16,338,782</u>	<u>15,227,089</u>	<u>16,282,027</u>	<u>15,013,824</u>

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

TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2015 and 2014
(unaudited)

	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	\$ (984,928)	\$ (2,358,596)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	138,828	146,060
Change in provision for allowance on accounts receivable	—	18,000
Provision for inventory reserve	23,000	—
Stock-based compensation	51,497	72,587
Non-cash interest expense	24,899	25,907
Gain on sale of assets	(5,073)	—
<i>Changes in operating assets and liabilities</i>		
(Increase) decrease in:		
Short term investments	291,047	—
Accounts receivable	237,989	(695,280)
Unbilled revenue	(896,001)	294,237
Inventory, net	280,480	(543,483)
Due from related party	(372,570)	(148,830)
Prepaid expenses and other current assets	(160,964)	(113,725)
Other non-current assets	(5,100)	23,070
Increase (decrease) in:		
Accounts payable	915,942	114,983
Accrued expenses	331,447	116,424
Deferred revenue	(712,759)	449,717
Due to related party	—	(119,667)
Interest payable, related party	—	(198,450)
Net cash used in operating activities	(842,266)	(2,917,046)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(12,935)	(120,773)
Proceeds from sale of assets	16,874	—
Purchases of intangible assets	(95,086)	(113,699)
Purchases of short-term investments, restricted	—	(584,375)
Net cash used in investing activities	(91,147)	(818,847)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments for debt issuance costs	—	(7,444)
Proceeds (payments) on demand notes payable and line of credit to related party	—	(2,950,000)
Proceeds from sale of restricted common stock, net	996,874	2,351,335
Proceeds from the exercise of stock options	360,225	6,000
Net cash provided by (used in) financing activities	1,357,099	(600,109)
Net increase (decrease) in cash and cash equivalents	423,686	(4,336,002)
Cash and cash equivalents, beginning of the period	1,186,033	7,713,899
Cash and cash equivalents, end of the period	\$ 1,609,719	\$ 3,377,897
<u>Supplemental disclosures of cash flows information:</u>		
Cash paid for interest	\$ 60,410	\$ 263,553

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

TECOGEN INC.

Notes to Interim Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and 2014

Note 1 – Description of business and summary of significant accounting policies

Description of business

Tecogen Inc., or the Company was organized, as a Delaware Corporation on November 15, 2000, and acquired the assets and liabilities of the Tecogen Products division of Thermo Power Corporation. The Company produces commercial and industrial, natural-gas-fueled engine-driven, combined heat and power (CHP) products that reduce energy costs, decrease greenhouse gas emissions and alleviate congestion on the national power grid. The Company's products supply electric power or mechanical power for cooling, while heat from the engine is recovered and purposefully used at a facility. The majority of the Company's customers are located in regions with the highest utility rates, typically California, the Midwest and the Northeast. The Company's common stock is listed on the NASDAQ under the ticker symbol TGEN.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and notes necessary for a complete presentation of our financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. We filed audited financial statements which included all information and notes necessary for such presentation for the two years ended December 31, 2014 in conjunction with our 2014 Annual Report on Form 10-K, or our Annual Report, filed with the Securities and Exchange Commission, or SEC, on March 24, 2015. This form 10-Q should be read in conjunction with our Annual Report.

The accompanying unaudited condensed consolidated balance sheets, statements of operations and statements of cash flows reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of financial position at June 30, 2015, and of operations and cash flows for the interim periods ended June 30, 2015 and 2014. The results of operations for the interim periods ended June 30, 2015 are not necessarily indicative of the results to be expected for the year.

The accompanying condensed consolidated financial statements include the accounts of the Company and its 65.0% owned subsidiary Ilios Inc. or Ilios, whose business focus is on advanced heating systems for commercial and industrial applications. With the inclusion of unvested restricted stock awards, the Company owns 63.7% of Ilios. Non controlling interest in the accompanying consolidated balance sheets represents the ownership of minority investors of Ilios.

The Company's operations are comprised of one business segment. Our business is to manufacture and support highly efficient CHP products based on engines fueled by natural gas.

Use of Estimates

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

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Generally, sales of cogeneration and chiller units and parts are recognized when shipped and services are recognized over the term of the service period. Payments received in advance of services being performed or as a deposit on equipment are recorded as deferred revenue.

Infrequently, the Company recognizes revenue in certain circumstances before delivery has occurred (commonly referred to as bill and hold transactions). In such circumstances, among other things, risk of ownership has passed to the buyer, the buyer has made a written fixed commitment to purchase the finished goods, the buyer has requested the finished goods be held for future delivery as scheduled and designated by them, and no additional performance obligations exist by the Company. For these transactions, the finished goods are segregated from inventory and normal billing and credit terms are granted. For the six months ended June 30, 2015 and 2014 no revenues were recorded as bill and hold transactions.

For those arrangements that include multiple deliverables, the Company first determines whether each service or deliverable meets the separation criteria of FASB ASC 605-25, *Revenue Recognition—Multiple-Element Arrangements*. In general, a deliverable (or a group of deliverables) meets the separation criteria if the deliverable has stand-alone value to the customer and if the arrangement includes a general right of return related to the delivered item and delivery or performance of the undelivered item(s) is considered probable and substantially in control of the Company. Each deliverable that meets the separation criteria is considered a separate "unit of accounting". The Company allocates the total arrangement consideration to each unit of accounting using the relative fair value method. The amount of arrangement consideration that is allocated to a delivered unit of accounting is limited to the amount that is not contingent upon the delivery of another unit of accounting.

TECOGEN INC.

Notes to Interim Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and 2014

When vendor-specific objective evidence or third-party evidence is not available, adopting the relative fair value method of allocation permits the Company to recognize revenue on specific elements as completed based on the estimated selling price. The Company generally uses internal pricing lists that determine sales prices to external customers in determining its best estimate of the selling price of the various deliverables in multiple-element arrangements. Changes in judgments made in estimating the selling price of the various deliverables could significantly affect the timing or amount of revenue recognition. The Company enters into sales arrangements with customers to sell its cogeneration and chiller units and related service contracts and occasionally installation services. Based on the fact that the Company sells each deliverable to other customers on a stand-alone basis, the Company has determined that each deliverable has a stand-alone value. Additionally, there are no rights of return relative to the delivered items; therefore, each deliverable is considered a separate unit of accounting.

After the arrangement consideration has been allocated to each unit of accounting, the Company applies the appropriate revenue recognition method for each unit of accounting based on the nature of the arrangement and the services included in each unit of accounting. Cogeneration and chiller units are recognized when shipped and services are recognized over the term of the applicable agreement, or as provided when on a time and materials basis.

In some cases, our customers may choose to have the Company engineer and install the system for them rather than simply purchase the cogeneration and/or chiller units. In this case, the Company accounts for revenue, or turnkey revenue, and costs using the percentage-of-completion method of accounting. Under the percentage-of-completion method of accounting, revenues are recognized by applying percentages of completion to the total estimated revenues for the respective contracts. Costs are recognized as incurred. The percentages of completion are determined by relating the actual cost of work performed to date to the current estimated total cost at completion of the respective contracts. When the estimate on a contract indicates a loss, the Company's policy is to record the entire expected loss, regardless of the percentage of completion. During the six months ended June 30, 2015 and 2014, a loss of approximately \$0 and \$217,000 was recorded, respectively. The excess of contract costs and profit recognized to date on the percentage-of-completion accounting method in excess of billings is recorded as unbilled revenue. Billings in excess of related costs and estimated profit is recorded as deferred revenue.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable at the end of the year. Bad debts are written off against the allowance when identified. At June 30, 2015 and December 31, 2014 the allowance for doubtful accounts was \$50,000.

Inventory

Raw materials, work in process, and finished goods inventories are stated at the lower of cost, as determined by the average cost method, or net realizable value. The Company periodically reviews inventory quantities on hand for excess and/or obsolete inventory based primarily on historical usage, as well as based on estimated forecast of product demand. Any reserves that result from this review are charged to cost of sales. At June 30, 2015 and December 31, 2014, inventory reserves were \$277,000 and \$300,000, respectively.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the asset, which range from three to fifteen years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the term of the related leases. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. For the three and six months ended June 30, 2015 and 2014, depreciation expense was \$43,454 and \$37,007, and \$87,409 and \$86,195, respectively.

Intangible Assets

Intangible assets are amortized on a straight-line basis over the estimated economic life of the intangible asset. The Company reviews intangible assets for impairment when the circumstances warrant.

Goodwill

The Company tests its recorded goodwill for impairment in the fourth quarter, or more often if indicators of potential impairment exist, by determining if the carrying value of the Company's single reporting unit exceeds its estimated fair value. During the first six months of 2015 the Company determined that no interim impairment test was necessary.

TECOGEN INC.

Notes to Interim Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and 2014

Off-Balance Sheet Arrangements

On July 22, 2013, John Hatsopoulos, the Company's Co-Chief Executive Officer personally pledged to support a bank credit facility of \$1,055,000 to support bank guarantees issued on certain construction contracts. This pledge was renewed on July 22, 2014, and with an expiration date of July 22, 2015. On April 10, 2015, the performance obligation tied to this bond was relieved and the credit facility was canceled.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the estimated fair value of the award and is recognized as an expense in the consolidated statements of operations over the requisite service period. The fair value of stock options granted is estimated using the Black-Scholes option pricing valuation model. The Company recognizes compensation on a straight-line basis for each separately vesting portion of the option award. The determination of the fair value of share-based payment awards is affected by the Company's stock price. The Company uses the simplified method for awards of stock-based compensation since it does not have the necessary historical exercise and forfeiture data to determine an expected life for stock options. (see "Note 4 – Stock-based compensation".)

Revenues by Product

The following table summarizes net revenue by product line and services for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Products				
Cogeneration	\$ 2,526,812	\$ 1,419,581	\$ 5,098,740	\$ 2,573,850
Chiller & Heat Pump	818,759	588,345	1,784,706	1,378,852
Total Product Revenue	3,345,571	2,007,926	6,883,446	3,952,702
Services				
Service contracts	2,035,041	1,921,875	3,907,407	3,694,856
Installations	1,003,219	610,056	1,696,412	1,108,056
Total Service Revenue	3,038,260	2,531,931	5,603,819	4,802,912
Total Revenue	\$ 6,383,831	\$ 4,539,857	\$ 12,487,265	\$ 8,755,614

Reclassification

Certain prior period balances have been reclassified to conform with current period presentation. As a result, installation revenue is broken out in the schedule of net revenue by product line and services above; in the prior period this revenue was included in services. Research and development expense is separated from general and administrative expense for this interim report.

Note 2 – Loss per common share

All shares issuable for both periods were anti-dilutive because of the reported net loss. Basic and diluted loss per share for the three and six months ended June 30, 2015 and 2014, respectively, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net loss attributable to stockholders	\$ (362,839)	\$ (1,229,707)	\$ (980,303)	\$ (2,267,752)
Weighted average shares outstanding - Basic and diluted	16,338,782	15,227,089	16,282,027	15,013,824
Basic and diluted loss per share	\$ (0.02)	\$ (0.08)	\$ (0.06)	\$ (0.15)
Anti-dilutive shares underlying stock options outstanding	1,186,325	1,233,125	1,186,325	1,233,125
Anti-dilutive convertible debentures	555,556	555,556	555,556	555,556

Note 3 – Demand notes payable, convertible debentures and line of credit agreement to related parties

On December 23, 2013, the Company entered into a Senior Convertible Promissory Note or the Note, with Michaelson Capital Special Finance Fund LP or Michaelson, for the principal amount of \$3,000,000 with interest at 4% per annum for a term of three years. In the event of default such interest rate shall accrue at 8% after the occurrence of the event of default and during continuance plus 2% after the occurrence and during the continuance of any other event of default. The Note is a senior unsecured obligation which pays interest only on a monthly basis in arrears at a rate of 4% per annum, unless earlier converted in accordance with the terms of the agreement prior to such date. The principal amount, if not converted, is due on the third anniversary of the Note, December 31, 2016. The Note is senior in right of payment to any unsecured indebtedness that is expressly subordinated in right of payment to the Note.

The principal balance of the Note, together with any unpaid interest, is convertible into shares of the Company's common stock at 185.19 shares of the Company's common stock per \$1,000 principal amount of Note (equivalent to a conversion price of \$5.40 per share) at the option of Michaelson. If at any time the common stock of the Company is (1) trading on a national securities exchange, (2) qualifies for unrestricted resale under federal securities laws and (3) the arithmetic average of the volume weighted average price of the Common Stock for twenty consecutive trading days preceding the Company's notice of mandatory conversion exceeds \$150,000, the Company shall have the right to require conversion of all of the then outstanding principal balance together with unpaid interest of this Note into the Company's common stock based on the conversion price of \$5.40 per share. The Company may prepay all of the outstanding principal and interest due and payable under this Note in full, at any time prior to the maturity date for an amount equal to 120% of the then outstanding principal and interest due and payable as of the date of such prepayment.

Upon change of control, as defined by the Note, at Michaelson's option, the obligations may be assumed, on the terms and conditions in this Note, through an assignment and assumption agreement, or the Company may prepay all of the then outstanding principal and unpaid interest under this Note in full at the optional 120% prepayment amount. This provision creates an embedded derivative in accordance with FASB ASC 815, Derivatives and Hedging. As such it is required to be bifurcated and accounted for separately from the Note. However, the Company has determined that the fair value of the embedded derivative is immaterial to the consolidated financial statements.

Debt issuance costs of \$147,577 are being amortized to expense over the term of the Note using the effective interest method. At June 30, 2015 and December 31, 2014 there were 555,556 shares of common stock issuable upon conversion of the Company's outstanding convertible debentures.

On June 15, 2015, the Company entered into a Non-Revolver Line of Credit Agreement, or the Agreement, with John N. Hatsopoulos, the Company's Co-Chief Executive Officer and a Company Director. Under the terms of the Agreement, Mr. Hatsopoulos has agreed to lend the Company up to an aggregate of \$2,000,000, with a withdrawal limit of \$250,000 per financial calendar quarter, at the written request of the Company. Any amounts borrowed by the Company pursuant to the Agreement will bear interest at 6% per year. Interest is due and payable quarterly in arrears. The term of the Agreement is from July 1, 2015 to July 1, 2017. Repayment of the principal amount borrowed pursuant to the Agreement will be due on July 1, 2017, or the Maturity Date. Prepayment of any amounts due under the Agreement may be made at any time without penalty. The Agreement terminates on the Maturity Date. The Company has not yet borrowed any amounts pursuant to the Agreement.

Note 4 - Stock-based compensation*Stock-Based Compensation*

In 2006, the Company adopted the 2006 Stock Option and Incentive Plan or the Plan, under which the Board of Directors may grant incentive or non-qualified stock options and stock grants to key employees, directors, advisors and consultants of the Company. The Plan was amended at various dates by the Board of Directors to increase the reserved shares of common stock issuable under the Plan to 3,838,750 as of June 30, 2015, or the Amended Plan.

Stock options vest based upon the terms within the individual option grants, with an acceleration of the unvested portion of such options upon a change in control event, as defined in the Amended Plan. The options are not transferable except by will or domestic relations order. The option price per share under the Amended Plan cannot be less than the fair market value of the underlying shares on the date of the grant. The number of shares remaining available for future issuance under the Amended Plan as of June 30, 2015 was 1,748,783.

TECOGEN INC.

Notes to Interim Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and 2014

Stock option activity for the six months ended June 30, 2015 was as follows:

Common Stock Options	Number of Options	Exercise Price Per Share	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Outstanding, December 31, 2014	1,356,325	\$1.20-\$5.39	\$ 2.77	5.12 years	\$ 3,618,935
Granted	—		—	—	—
Exercised	(222,375)	\$1.20-\$2.60	1.62	—	—
Canceled and forfeited	(26,200)	\$1.20-\$4.50	2.25	—	—
Expired	—		—	—	—
Outstanding, June 30, 2015	<u>1,107,750</u>	<u>\$1.20-\$5.39</u>	<u>\$ 3.01</u>	<u>5.98 years</u>	<u>\$ 1,498,750</u>
Exercisable, June 30, 2015	<u>768,384</u>		<u>\$ 2.27</u>		<u>\$ 1,414,576</u>
Vested and expected to vest, June 30, 2015	<u>1,007,750</u>		<u>\$ 2.82</u>		<u>\$ 1,498,750</u>

Stock-Based Compensation - Ilios

In 2009, Ilios adopted the 2009 Stock Incentive Plan, or the 2009 Plan, under which the Board of Directors may grant incentive or non-qualified stock options and stock grants to key employees, directors, advisors and consultants of the Company. The maximum number of shares allowable for issuance under the 2009 Plan is 2,000,000 shares of common stock. The 2009 Plan has 1,325,000 available for grant as of June 30, 2015. There were no grants during 2015 to date. Stock options vest based upon the terms within the individual option grants, with an acceleration of the unvested portion of such options upon a change in control event, as defined in the Plan.

Consolidated stock-based compensation expense for the six months ended June 30, 2015 and 2014 was \$51,497 and \$72,587, respectively. No tax benefit was recognized related to the stock-based compensation recorded during the periods.

Note 5 – Commitments and contingencies

Letters of Credit

A letter of credit of \$583,073, the original value of the short term investment prior to an increase from interest income of \$2,629, was outstanding under a revolving bank credit facility needed to collateralize a performance bond on a certain installation project. During the three months ended June 30, 2015, \$291,047 of the collateral requirements and the associated revolving bank credit facility was relieved resulting in the release of restricted cash and a lowering of the revolving bank credit facility. The remaining restricted cash balance is for retainage associated with this performance bond.

On April 10, 2015, the collateral requirements of some of the performance bonds were lowered. The requirement in the form of a \$1,055,000 letter of credit collateralized by an account owned by John N. Hatsopoulos was lowered resulting in the letter of credit being canceled. Performance bonds have been furnished on projects, and would be drawn upon only in the event that Tecogen fails to complete the project in accordance with the contract.

On June 15, 2015, the Company entered into a Non-Revolving Line of Credit Agreement with John N. Hatsopoulos, the Company's Co-Chief Executive Officer and a Company Director (See Note 3).

Note 6 – Related party transactions

The Company has two affiliated companies, namely American DG Energy Inc., or American DG Energy, and EuroSite Power Inc. or EuroSite Power. These companies are affiliates because several of the major stockholders of those companies, have a significant ownership position in the Company. Neither American DG Energy nor EuroSite Power own any shares of the Company, and the Company does not own any shares of American DG Energy or EuroSite Power.

On December 23, 2013, the Company entered into a Senior Convertible Promissory Note with Michaelson Capital Special Finance Fund LP (See Note 3).

On June 15, 2015, the Company entered into a Non-Revolving Line of Credit Agreement with John N. Hatsopoulos, the Company's Co-Chief Executive Officer and a Company Director (See Note 3).

The Company provides office space and certain utilities to American DG Energy based on a monthly rate set at the beginning of each year. This sublease was signed for a one year period, beginning on July 1, 2014. In addition, the Company pays certain operating expenses, including benefits and insurance, on behalf of American DG Energy. The Company is reimbursed for these costs.

TECOGEN INC.

Notes to Interim Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and 2014

Note 7 - Intangible assets other than goodwill

As of December 31, 2014 and June 30, 2015 the Company has the following amounts related to intangible assets:

	Product Certifications	Patents	Developed Technology	Total
<u>Balance at December 31, 2014</u>				
Intangible assets	\$ 475,344	\$ 514,930	\$ 240,000	\$ 1,230,274
Less - accumulated amortization	(128,732)	(62,242)	(28,000)	(218,974)
	<u>\$ 346,612</u>	<u>\$ 452,688</u>	<u>\$ 212,000</u>	<u>\$ 1,011,300</u>
<u>Balance at June 30, 2015</u>				
Intangible assets	\$ 508,127	\$ 577,232	240,000	\$ 1,325,359
Less - accumulated amortization	(157,618)	(76,775)	(36,000)	(270,393)
	<u>\$ 350,509</u>	<u>\$ 500,457</u>	<u>\$ 204,000</u>	<u>\$ 1,054,966</u>

The aggregate amortization expense of the Company's intangible assets for the three and six months ended June 30, 2015 and 2014 was \$28,136 and \$20,853, and \$51,419 and \$40,825, respectively.

Note 8 – Subsequent events

On August 3, 2015, the Company entered into a common stock purchase agreement, (the "Common Stock Purchase Agreement"), and a registration rights agreement (the "Registration Rights Agreement") with Seashell Limited. Pursuant to the Common Stock Purchase Agreement, the Company sold, and the investor purchased, 1,250,000 shares of the Company's common stock (the "Shares"), at a price of \$4.00 per share for an aggregate purchase price of \$5,000,000, (the "Private Placement"). Pursuant to the Registration Rights Agreement, the Company shall as soon as practicable file with the U.S. Securities And Exchange Commission a registration statement on an appropriate form (the "Registration Statement") covering the resale of the Shares and shall use its commercially reasonable best efforts to cause the Registration Statement to be declared effective as soon as practicable.

The Company has evaluated subsequent events through the date of this report and determined that no other subsequent events occurred that would require recognition in the consolidated financial statements or disclosure in the notes thereto.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements are made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements include, among other things, statements regarding our current and future cash requirements, our expectations regarding suppliers of cogeneration units, and statements regarding potential financing activities in the future. While the Company may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the Company's estimates change, and readers should not rely on those forward-looking statements as representing the Company's views as of any date subsequent to the date of the filing of this Quarterly Report. There are a number of important factors that could cause the actual results of the Company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading "Risk Factors" in this Quarterly Report.

Overview

Tecogen Inc., or the Company, or Tecogen, designs, manufactures and sells industrial and commercial cogeneration systems that produce combinations of electricity, hot water and air conditioning using automotive engines that have been specially adapted to run on natural gas. In some cases, our customers may choose to have the Company engineer and install the system for them rather than simply purchase the cogeneration and/or chiller units, which we refer to as "turnkey" projects. Cogeneration systems are efficient because in addition to supplying mechanical energy to power electric generators or compressors – displacing utility supplied electricity – they provide opportunity for the facility to incorporate the engine's waste heat into onsite processes such as space and portable water heating. We produce standardized, modular, small-scale products, with a limited number of product configurations that are adaptable to multiple applications. We refer to these combined heat and power products as CHP (electricity plus heat) and MCHP (mechanical power plus heat).

In addition to being a smaller reporting company, Tecogen is an emerging growth company as that term is defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act).

Results of Operations

Revenues

Revenues in the second quarter of 2015 were \$6,383,831 compared to \$4,539,857 for the same period in 2014, an increase of \$1,843,974 or 40.6%. Product revenues in the second quarter of 2015 were \$3,345,571 compared to \$2,007,926 for the same period in 2014, an increase of \$1,337,645 or 66.6%. This increase was the aggregate of an increase in cogeneration sales of \$1,107,231 and an increase in chiller and heat pump sales, which include the Ilios products, of \$230,414. Service revenues in the second quarter of 2015 were \$3,038,260 compared to \$2,531,931 for the same period in 2014, an increase of \$506,329 or 20.0%. This increase in the second quarter is the due to an increase in installation activity of \$393,163 and an increase of \$113,166 in service contracts.

Revenues in the first six months of 2015 were \$12,487,265 compared to \$8,755,614 for the same period in 2014, an increase of \$3,731,651 or 42.6%. Product revenues in the first six months of 2015 were \$6,883,446 compared to \$3,952,702 for the same period in 2014, an increase of \$2,930,744 or 74.1%. This increase was the aggregate of an increase in cogeneration sales of \$2,524,890 and an increase in chiller and heat pump sales of \$405,854. Service revenues in the first six months of 2015 were \$5,603,819 compared to \$4,802,912 for the same period in 2014, an increase of \$800,907 or 16.7%. This increase in the first six months of 2015 is due to an increase in installation activity of \$588,356 and an increase of \$212,551 in the service contracts.

Cost of Sales

Cost of sales in the second quarter of 2015 was \$4,242,941 compared to \$3,191,184 for the same period in 2014 an increase of \$1,051,757, or 33.0%. During the second quarter of 2015 our overall gross profit margin was 33.5% compared to 29.7% for the same period in 2014, an increase of 12.8%. Management expects growth in sales volume to continue to improve gross margins going forward.

Cost of sales in the first six months of 2015 was \$8,121,400 compared to \$5,980,715 for the same period in 2014 an increase of \$2,140,685, or 35.8%. During the first six months of 2015 our overall gross profit margin was 35.0% compared to 31.7% for the same period in 2014, an increase of 10.4%. Management expects growth in sales volume to continue to improve gross margins going forward.

Operating Expenses

General and administrative expenses consist of executive staff, accounting and legal expenses, office space, general insurance and other administrative expenses. General and administrative expenses in the second quarter ending June 30, 2015 were \$1,890,503 compared to \$1,911,071 for the same period in 2014, a decrease of \$20,568 or 1.1%. The majority of the decrease, including routine fluctuations in the timing of expenses, was the net of increased quarterly costs associated with the annual meeting and lower stock compensation expense.

General and administrative expenses in the first six months of 2015 were \$4,077,632 compared to \$3,673,063 for the same period in 2014, an increase of \$404,569 or 11.0%. This increase was due to an overall increase in expenses related to the transition to becoming and operating as a public company. These items include larger administrative staff, listing fees, higher insurance expense and purchasing new technology.

Selling expenses consist of sales staff, commissions, marketing, travel and other selling related expenses. Selling expenses for the second quarter of 2015 were \$324,384 compared to \$405,108 for the same period in 2014, a decrease of \$80,724 or 19.9%. The majority of the decrease in expense was due to the decreased sales commission expense, which can vary based on the model and options packages of the products shipped during the quarter.

Selling expenses for the first six months of 2015 were \$818,058 compared to \$826,728 for the same period in 2014, a decrease of \$8,670 or 1.0%.

Research and development expenses consist of engineering and technical staff, materials, outside consulting and other related expenses. Research and development expenses in the second quarter ending June 30, 2015 were \$228,318 compared to \$251,582 for the same period in 2014, a decrease of \$23,264 or 9.2%. This decrease was due to the timing of the beginning and completion of projects. Current projects include development projects in emissions controls and the InVerde product improvement program.

Research and development expenses for the first six months of 2015 were \$404,481 compared to \$559,716 for the same period in 2014, a decrease of \$155,235 or 27.7%. This decrease was due to the timing of the beginning and completion of projects. Current projects include development projects in emissions controls and the InVerde product improvement program.

Loss from Operations

Loss from operations for the second quarter of 2015 was \$302,315 compared to \$1,219,088 for the same period in 2014, a decrease of \$916,773. The decrease in the loss was due to continued improvement in gross profit and the addition of a reduction in operating expenses as discussed above.

Loss from operations for the first six months of 2015 was \$934,306 compared to \$2,284,608 for the same period in 2014, a decrease of \$1,350,302. The decrease in the loss was due to continued improvement in gross profit and the addition of a reduction in operating expenses as discussed above.

Other Income (Expense), net

Other expense, net for the three months ended June 30, 2015 was \$29,666 compared to \$42,303 for the same period in 2014. Other income (expense) includes interest income and other income of \$685, net of interest expense on notes payable of \$30,351 for the second quarter of 2015. For the same period in 2014, interest and other income was \$15,079 and interest expense was \$57,382. The decrease in interest expense relates to notes and letters of credit paid in 2014.

Other expense, net for the six months ended June 30, 2015 was \$50,622 compared to \$73,988 for the same period in 2014. Other income (expense) includes interest income and other income of \$9,788, net of interest expense on notes payable of \$60,410 for the first six months of 2015. For the same period in 2014, interest and other income was \$18,164 and interest expense was \$92,152. The decrease in interest expense relates to notes and letters of credit paid in 2014.

Provision for Income Taxes

The Company did not record any benefit or provision for income taxes for the three and six months ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, the income tax benefits generated from the Company's net losses have been fully reserved.

Noncontrolling Interest

The noncontrolling interest share in the profit of Ilios was \$30,858 for the three months ended June 30, 2015 compared to losses of \$31,684 for the same period in 2014, a decrease of \$62,542 or 197.4%. The decrease was due to the change to a profit for Ilios in the second quarter of 2015 as compared to a loss in the same period in 2014. Noncontrolling interest ownership percentage as of June 30, 2015 and 2014 was unchanged at 35.0% for both periods.

The noncontrolling interest share in the losses of Ilios was \$4,625 for the six months ended June 30, 2015 compared to \$90,844 for the same period in 2014, a decrease of \$86,219 or 94.9%. The decrease was due to a decrease in the Ilios loss in the first six months of 2015 as compared to the same period in 2014. Noncontrolling interest ownership percentage as of June 30, 2015 and 2014 was unchanged at 35.0% for both periods.

Net loss

Net loss attributable to Tecogen for the three months ended June 30, 2015 was \$362,839 compared to \$1,229,707 for the same period in 2014, a decrease of \$866,868. The decrease in net loss was the result of the increase in gross profit combined with the decrease in operating expenses as described above.

Net loss attributable to Tecogen for the six months ended June 30, 2015 was \$980,303 compared to \$2,267,752 for the same period in 2014, a decrease of \$1,287,449. The decrease in net loss was the result of the increase in gross profit combined with the increase in operating expenses as described above.

Liquidity and Capital Resources

Consolidated working capital at June 30, 2015 was \$7,881,411 compared to \$7,217,583 at December 31, 2014, an increase of \$663,828. Included in working capital were cash and cash equivalents of \$1,609,719 and \$294,655 in short-term investments at June 30, 2015, compared to \$1,186,033 in cash and cash equivalents and \$585,702 in short-term investments at December 31, 2014, an increase of \$132,639. The increase in working capital and cash was mainly due to sale of unregistered common stock during the period.

Cash used in operating activities for the three months ended June 30, 2015 was \$842,266 compared to \$2,917,046 for the same period in 2014. Our accounts receivable balance decreased to \$4,512,448 at June 30, 2015 compared to \$4,750,437 at December 31, 2014, providing \$237,989 of cash due to timing of billing, shipments, and collections. In addition, amounts due from related parties increased by \$372,570 using cash due to timing of billing, shipments and collections. Our inventory decreased to \$3,786,741 as of June 30, 2015 compared to \$4,090,221 as of December 31, 2014, a decrease of \$303,480. Management expects inventory to not vary significantly from the level at year end for the foreseeable future.

TECOGEN INC.

As of June 30, 2015, the Company's backlog of product and installation projects (and excluding service contracts) was \$9.32 million, consisting of \$4.47 million of purchase orders received by us and \$4.86 million of projects in which the customer's internal approval process is complete, financial resources have been allocated and the customer has made a firm verbal commitment that the order is in the process of execution. Backlog at the beginning of any period is not necessarily indicative of future performance. Our presentation of backlog may differ from other companies in our industry.

Accounts payable increased to \$3,332,255 as of June 30, 2015 from \$2,416,313 at December 31, 2014, providing \$915,942 in cash flow from operations. Accrued expenses increased to \$1,339,600 as of June 30, 2015 from \$1,008,153 as of December 31, 2014, providing \$331,447 of cash from operations. The Company expects accounts payable and accrued expenses to increase into the foreseeable future as operations continue to expand.

During the first six months of 2015 our investing activities used \$91,147 of cash and included purchases of property and equipment of \$12,935 and expenditures related to intangible assets of \$95,086.

During the first six months of 2015 our financing activities included the proceeds from sales of our common stock of \$996,874 and proceeds from the exercise of stock options of \$360,225. The proceeds were used for general corporate purposes, including research and development.

Significant Accounting Policies and Critical Estimates

The Company's significant accounting policies are discussed in the Notes to the Condensed Consolidated Financial Statements above and in our Annual Report. The accounting policies and estimates that can have a significant impact upon the operating results, financial position and footnote disclosures of the Company are described in the above notes and in our Annual Report.

Seasonality

We expect that the majority of our heating systems sales will be in the winter and the majority of our chilling systems sales will be in the summer. Our cogeneration and chiller system sales are not generally affected by the seasons, although customer goals will be to have chillers installed and running in the spring. Our service team does experience higher demand in the warmer months when cooling is required. These units are generally shut down in the winter and started up again in the spring. This "busy season" for the service team generally runs from May through the end of September.

Off-Balance Sheet Arrangements

On April 10, 2015, the letter of credit guaranteed by John Hatsopoulos, the Company's Co-Chief Executive Officer's personal assets of \$1,055,000, was canceled. The change in collateral requirements of construction performance bonds were lowered allowing for the letter of credit to be canceled. We do not have any other off-balance sheet arrangements, including any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures:

The Company maintains "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management, including our principal executive officers and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Our disclosure controls and procedures are designed to provide reasonable assurance that the control system's objectives will be met. Our management, including our Co-Chief Executive Officers and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, have concluded that our disclosure controls and procedures were not effective due to material weaknesses in financial reporting relating to lack of personnel with a sufficient level of accounting knowledge and a small number of employees dealing with general controls over information technology. Management will continue to evaluate the above weaknesses, and as the Company grows and resources become available, the Company plans to take the necessary steps in the future to remediate the weaknesses.

Changes in Internal Control over Financial Reporting:

The Company currently does not have personnel with a sufficient level of accounting experience and training in the selection, application and implementation of generally accepted accounting principles as it relates to complex transactions and financial reporting requirements. The Company also has a small number of employees dealing with general controls over information technology security and user access. This constitutes a material weakness in financial reporting.

In connection with the material weaknesses referred to in the foregoing paragraph, we will make changes in our internal controls over financial reporting as soon as the resources become available. As of June 30, 2015, no changes have been made to the Company's process.

PART II - OTHER INFORMATION**Item 6. Exhibits**

Exhibit No.	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation ^(a)
3.2	Amended and Restated Bylaws ^(a)
4.1	Specimen Stock Certificate of Tecogen, Inc. ^(a)
4.2	Form of Restricted Stock Purchase Agreement ^(b)
4.3	Form of Stock Option Agreement ^(a)
10.8	Second Amendment to Lease between Atlantic-Waltham Investment II, LLC, and Tecogen Inc., dated Jan 16, 2013 ^(a)
10.19	Form of Common Stock Purchase Agreement. ^(a)
10.21	Senior Convertible Promissory Note, dated December 23, 2013, by Tecogen Inc. in favor of Michaelson Capital Special Finance Fund LP. ^(a)
10.24	Facilities and Support Services Agreement between American DG Energy Inc. and Tecogen Inc., dated Aug 8, 2014. ^(c)
10.26+*	Tecogen Inc. 2006 Stock Incentive Plan, as amended on January 24, 2014 with stockholder approval on July 15, 2014. ^(d)
10.27*	Non-Revolving Line of Credit Agreement between the Company and John N. Hatsopoulos, dated June 15, 2015
21.1	List of subsidiaries ^(a)
31.1*	Rule 13a-14(a) Certification of Co-Chief Executive Officer
31.2*	Rule 13a-14(a) Certification of Co-Chief Executive Officer
31.3*	Rule 13a-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 Certifications of Co-Chief Executive Officers and Chief Financial Officer
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
100.CAL**	XBRL Taxonomy Extension Calculation Linkbase
100.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase

*	Filed herewith
**	Furnished herewith
+	Compensatory plan or arrangement

^(a) incorporated by reference from the Company's Registration Statement on Form S-1, as amended, originally filed with the SEC on February 6, 2014 (Registration No. 333-193791), amendment No. 3 was filed on June 27, 2014 and went effective July 2, 2014.

^(b) incorporated by reference from the Company's Registration Statement on Form S-1, as amended, originally filed with the SEC on December 22, 2011 (Registration No. 333-178697).

^(c) incorporated by reference from the Company's 10-Q Report for the period ending June 30, 2014, originally filed with the SEC on August 14, 2014.

^(d) incorporated by reference from the Company's Annual Report on Form 10-K dated December 31, 2014, originally filed with the SEC on March 25, 2015 and included in this filing for the convenience of the issuer as the exhibit number has changed from 10.24 to 10.26.

TECOGEN INC.

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, on August 6, 2015.

TECOGEN INC.
(Registrant)

By: /s/ John N. Hatsopoulos
Co-Chief Executive Officer
(Principal Executive Officer)

By: /s/ Benjamin M. Locke
Co-Chief Executive Officer
(Principal Executive Officer)

By: /s/ David A. Garrison
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

TECOGEN INC.
2006 STOCK INCENTIVE PLAN
(As Amended On January 24, 2014)

1. Purpose of the Plan. This 2006 Stock Incentive Plan (the "Plan"), as amended to date, is intended to provide incentives (a) to the officers and employees of Tecogen Inc., a Delaware corporation (the "Company"), and any parent or subsidiary of the Company, by providing such officers and employees with opportunities to purchase stock in the Company pursuant to options granted hereunder which qualify as "incentive stock options" under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code") ("ISO" or "ISOs"); (b) to directors, officers, employees, consultants and advisors of the Company and any present or future parent, subsidiary or affiliate of the Company (hereinafter collectively "Related Corporations") by providing them with opportunities to purchase stock in the Company pursuant to options granted hereunder which do not qualify as ISOs ("Non-Qualified Option" or "Non-Qualified Options"); (c) to directors, officers, employees, consultants and advisors of the Company and Related Corporations by providing them with opportunities to receive awards of stock in the Company whether such stock awards are in the form of bonus shares, deferred stock awards, or of performance share awards ("Awards"); and (d) to directors, officers, employees, consultants and advisors of the Company and Related Corporations by providing them with opportunities to make direct purchases of restricted stock in the Company ("Restricted Stock Purchases"). Both ISOs and Non-Qualified Options are referred to hereafter individually as an "Option" and collectively as "Options". Options, Awards and authorizations to make Restricted Stock Purchases are referred to hereafter individually as a "Stock Right" and collectively as "Stock Rights". As used herein, the terms "parent" and "subsidiary" mean "parent corporation" and "subsidiary corporation", respectively, as those terms are defined in Section 424 of the Code.
2. Administration of the Plan
 - a. *Board or Committee Administration.* This Plan shall be administered by the Board of Directors of the Company (the "Board"). The Board may appoint a Compensation Committee or Human Resources Committee (as the case may be, the "Committee") of two (2) or more of its members to administer this Plan and to grant Stock Rights hereunder, provided such Committee is delegated such powers in accordance with applicable state law. (All references in this Plan to the "Committee" shall mean the Board if no such Compensation Committee or Stock Incentive Plan Committee has been so appointed). If the Company or any Related Corporation registers any class of any equity security pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), this Plan shall be administered in accordance with the applicable rules set forth in Rule 16b-3 or any successor provisions of the Exchange Act ("Rule 16b-3"). From and after the date the Company becomes subject to Section 162(m) of the Code with respect to compensation earned under this Plan, each member of the Committee shall also be an "outside director" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.
 - b. *Authority of Board or Committee.* Subject to the terms of this Plan, the Committee shall have the authority to: (i) determine the employees of the Company and any Related Corporation (from among the class of employees eligible under paragraph 3 to receive ISOs) to whom ISOs may be granted, and to determine (from among the class of individuals and entities eligible under paragraph 3 to receive Non-Qualified Options and Awards and to make Restricted Stock Purchases) to whom Non-Qualified Options, Awards and authorizations to make Restricted Stock Purchases may be granted; (ii) determine the time or times at which Options or Awards may be granted or Restricted Stock Purchases made; (iii) determine the exercise price of shares subject to each Option, which price shall not be less than the minimum price specified in paragraph 6, and the purchase price of shares subject to each Restricted Stock Purchase; (iv) determine whether each Option granted shall be an ISO or a Non-Qualified Option; (v) determine (subject to paragraph 8) the time or times when or what conditions must be satisfied before each Option shall become exercisable and the duration of the exercise period; (vi) determine whether restrictions such as transfer restrictions, repurchase options and "drag along" rights and rights of first refusal are to be imposed on shares subject to Options, Awards and Restricted Stock Purchases and the nature of such restrictions, if any; (vii) impose such other terms and conditions with respect to capital stock issued pursuant to Stock Rights not inconsistent with the terms of this Plan as it deems necessary or desirable; and (viii) interpret the Plan and prescribe and rescind rules and regulations relating to it.

If the Committee determines to issue a Non-Qualified Option, the Committee shall take whatever actions it deems necessary, under the Code and the regulations promulgated thereunder, to ensure that such Option is not treated as an ISO. The interpretation and construction by the Committee of any provisions of the Plan or of any Stock Right granted under it shall be final unless otherwise determined by the Board. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may deem best. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Stock Right granted under it.

- c. *Delegation of Authority to Grant Awards to Officer.* Without limiting the foregoing, the Board, in its discretion, may also delegate to a single officer of the Company who is a member of the Board (to the extent consistent with state law) all or part of the Board's or Committee's authority and duties with respect to the granting of Stock Rights to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Code, subject to such limitations as the Board or the Committee deems appropriate, including without limitation as to the amount of Stock Rights that may be granted during the period of delegation, and guidelines as to the determination of the exercise price of any Option, the purchase price of other Stock Rights and the setting of vesting schedules or criteria. Such officer (the "Delegated Officer") shall act as a one member committee of the Board, and shall in any event be subject to the same limitations as are applicable to the Committee. References to the Committee in this Plan shall also include the Delegated Officer, but only to the extent consistent with the authorities and duties delegated to the Delegated Officer by the Board. The Board may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Delegated Officer that were consistent with the terms of this Plan.
- d. *Committee Actions.* The Committee may select one of its members as its chairman and shall hold meetings at such time and places as it may determine. Acts by a majority of the Committee, acting at a meeting (whether held in person or by teleconference), or acts reduced to or approved in writing by all of the members of the Committee, shall be the valid acts of the Committee. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer this Plan, subject to compliance with paragraph 2(a).
- e. *Grant of Stock Rights to Board Members.* Stock Rights may be granted to members of the Board, subject to compliance with Rule 16b-3 when required by paragraph 2(a). All grants of Stock Rights to members of the Board shall in all respects be made in accordance with the provisions of this Plan applicable to other eligible persons.
3. Eligible Employees and Others. ISOs may be granted to any employee of the Company or any parent or subsidiary of the Company. Those officers and directors of the Company who are not employees of the Company or any parent or subsidiary of the Company may not be granted ISOs under this Plan. Non-Qualified Options, Awards and authorizations to make Restricted Stock Purchases may be granted to any employee, officer or director (whether or not also an employee) of or consultant or advisor to the Company or any Related Corporation. The Committee may take into consideration a recipient's individual circumstances in determining whether to grant a Stock Right. Granting a Stock Right to any individual or entity shall neither entitle that individual or entity to, nor disqualify him or her from, participation in any other grant of Stock Rights.
4. Stock. The stock subject to Stock Rights shall be the authorized but unissued shares of Common Stock of the Company (the "Common Stock"), or shares of Common Stock reacquired by the Company in any manner. The aggregate number of shares of Common Stock which may be issued pursuant to this Plan is 3,838,750, subject to adjustment as provided in paragraph 13 or amendment as provided in Section 15. Any such shares may be issued pursuant to the exercise of Stock Rights, so long as the aggregate number of shares so issued does not exceed the number of such shares authorized under this paragraph 4.
5. Granting of Stock Rights. Stock Rights may be granted under this Plan at any time on or after January 1, 2006 and prior to January 1, 2016. The date of grant of a Stock Right under this Plan will be the date specified by the Committee at the time it grants the Stock Right or such date that is specified in the instrument or agreement evidencing such Stock Right; provided, however, that such date shall not be prior to the date on which the Committee acts to approve the grant and that with respect to an ISO grant such date shall not be earlier than the date of commencement of employment of the employee granted the ISO. The Committee shall have the right, with the consent of the optionee, to convert an ISO granted under this Plan to a Non-Qualified Option pursuant to paragraph 17.
6. Minimum Option Price; ISO Limitations
- a. *Price for ISOs.* The exercise price per share specified in the agreement relating to each ISO granted under this Plan shall not be less than the fair market value per share of Common Stock on the date of such grant. In the case of an ISO to be granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, the price per share specified in the agreement relating to such ISO shall not be less than one hundred ten percent (110%) of the fair market value per share of Common Stock on the date of grant.
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- b. *\$100,000 Annual Limitation on ISOs.* Each eligible employee may be granted ISOs only to the extent that, in the aggregate under this Plan and all other incentive stock option plans of the Company and any parent or subsidiary of the Company, such ISOs do not become exercisable for the first time by such employee during any calendar year in a manner which would entitle the employee to purchase more than \$100,000 in fair market value (determined at the time the ISOs were granted) of Common Stock in that year. Any Options granted to an employee in excess of such amount will be granted as Non-Qualified Options.
 - c. *Determination of Fair Market Value.* If, at the time an Option is granted under the Plan, the Common Stock is publicly traded, "fair market value" shall be determined as of the last business day for which the prices or quotes discussed in this sentence are available prior to the date such Option is granted and shall mean (i) the average (on that date) of the high and low prices of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the last reported sale price (on that date) of the Common Stock on the NASDAQ National Market List, if the Common Stock is not then traded on a national securities exchange; or (iii) the closing bid price (or average of bid prices) last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not then traded on a national securities exchange and is not reported on the NASDAQ National Market List. However, if the Common Stock is not publicly traded at the time an Option is granted under the Plan, "fair market value" shall be deemed to be the fair value of the Common Stock as determined by the Committee after taking into consideration all factors in good faith it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's length, if any.
7. Option Duration. Subject to earlier termination as provided in paragraphs 9, 10, and 13(b), each Option shall expire on the date specified by, or shall have such duration as may be specified by, the Committee and set forth in the original stock option agreement granting such Option, but not more than ten years from the date of grant. Notwithstanding the foregoing, in the case of ISOs granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, such ISOs shall expire not more than five years from the date of grant. Non-Qualified Options shall expire on the date specified in the agreement granting such Non-Qualified Options, subject to extension as determined by the Committee. ISOs, or any part thereof, that have been converted into Non-Qualified Options may be extended as provided in paragraph 17.
8. Exercise of Options. Subject to the provisions of paragraphs 9 through 13, each Option granted under the Plan shall be exercisable as follows:
- a. *Vesting.* As set forth in paragraph 2(b), and subject to paragraphs 9 and 10 with respect to ISOs, the Committee shall determine the time or times when or what conditions must be satisfied before each Option shall become exercisable and the duration of the exercise period. The Committee may also specify such other conditions precedent as it deems appropriate to the exercise of an Option.
 - b. *Full Vesting of Installments.* Once an installment becomes exercisable it shall remain exercisable until expiration or termination of the Option, unless otherwise specified by the Committee.
 - c. *Partial Exercise.* Each Option or installment may be exercised at any time or from time to time, in whole or in part, for up to the total number of shares with respect to which it is then exercisable, provided that the Committee may specify a certain minimum number or percentage of the shares issuable upon exercise of any Option that must be purchased upon any exercise.
 - d. *Acceleration of Vesting.* The Committee shall have the right to accelerate the date of exercise of any installment of any Option, despite the fact that such acceleration may (i) cause the application of Sections 280G and 4999 of the Code if a Change in Control Event, as defined below in paragraph 13(b), occurs, or (ii) disqualify all or part of the Option as an ISO.
9. Termination of Employment. Subject to the provisions of paragraph 13(b), if an ISO optionee ceases to be employed by the Company and all Related Corporations other than by reason of death or disability as defined in paragraph 10, no further installments of his or her ISOs shall become exercisable following the date of such cessation of employment, and his or her ISOs shall terminate after the passage of ninety (90) days from the date of termination of his or her employment, but in no event later than on their specified expiration dates, except to the extent that such ISOs (or unexercised installments thereof) have been converted into Non-Qualified Options pursuant to paragraph 17. Nothing in this Plan shall be deemed to give any grantee of any Stock Right the right to be retained in employment or other service by the Company or any Related Corporation for any period of time.
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Notwithstanding anything contained in this paragraph 9 to the contrary, the Board or Committee may establish rules in particular stock option agreements with respect to Misconduct, as defined below, committed by a grantee of a Stock Right.

10. Death; Disability
 - a. *Death.* If an ISO optionee ceases to be employed by the Company and all Related Corporations by reason of his or her death, or if the employee dies within the thirty (30) day period after the employee ceases to be employed by the Company and all Related Corporations, any ISO of his or hers may be exercised, to the extent of the number of shares with respect to which he or she could have exercised it on the date of his or her death, by his or her estate, personal representative or beneficiary who has acquired the ISO by will or by the laws of descent and distribution, at any time prior to the earlier of the specified expiration date of the ISO or one (1) year from the date of such optionee's death.
 - b. *Disability.* If an ISO optionee ceases to be employed by the Company and all Related Corporations by reason of his or her disability, he or she shall have the right to exercise any ISO held by the optionee on the date of termination of employment, to the extent of the number of shares with respect to which he or she could have exercised it on that date, at any time prior to the earlier of the specified expiration date of the ISO or one (1) year from the date of the termination of the optionee's employment. For the purposes of the Plan, the term "disability" shall mean "permanent and total disability" as defined in Section 22(e)(3) of the Code or successor statute.
 11. Assignability. Except for Non-Qualified Options which may be transferred for estate planning purposes to the extent provided in the instrument or agreement granting such Non-Qualified Options, no Stock Right shall be assignable or transferable by the grantee except by will or by the laws of descent and distribution, and during the lifetime of the grantee each Stock Right shall be exercisable only by the optionee. No Stock Right, and no right to exercise any portion thereof, shall be subject to execution, attachment, or similar process, assignment, or any other alienation or hypothecation. Upon any attempt so to transfer, assign, pledge, hypothecate, or otherwise dispose of any Stock Right, or of any right or privilege conferred thereby, contrary to the provisions thereof or hereof or upon the levy of any attachment or similar process upon any Stock Right, right or privilege, such Stock Right and such rights and privileges shall immediately become null and void. The foregoing shall not be construed to restrict the ability to assign or transfer shares of Common Stock issued upon the exercise or award of a Stock Right to the extent that the instrument or agreement granting such Stock Right permits such assignment or transfer.
 12. Terms and Conditions of Stock Rights. Stock Rights shall be evidenced by instruments (which need not be identical) in such forms as the Committee may from time to time approve. Such instruments shall conform to the terms and conditions set forth in paragraphs 6 through 11 hereof to the extent applicable and may contain such other provisions as the Committee deems advisable which are not inconsistent with this Plan. Without limiting the foregoing, such provisions may include transfer restrictions, rights of refusal, vesting provisions, repurchase rights, lock-up provisions and drag-along rights with respect to shares of Common Stock issuable upon exercise of Stock Rights, and such other restrictions applicable to shares of Common Stock as the Committee may deem appropriate. In granting any Non-Qualified Option, the Committee may specify that such Non-Qualified Option shall be subject to the restrictions set forth herein with respect to ISOs, or to such other termination, cancellation or other provisions as the Committee may determine. The Committee may from time to time confer authority and responsibility on one or more of its own members and/or one or more officers of the Company to execute and deliver such instruments. The proper officers of the Company are authorized and directed to take any and all action necessary or advisable from time to time to carry out the terms of such instruments.
 13. Adjustments. Upon the occurrence of any of the following events, an optionee's rights with respect to Options granted to the optionee hereunder shall be adjusted as hereinafter provided, unless otherwise specifically provided in the written agreement between the optionee and the Company relating to such Option:
 - a. *Stock Dividends and Stock Splits.* If the shares of Common Stock subject to Options granted under this Plan shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of Options shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend.
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- b. *Acquisitions and Change in Control Events.* If the Company is to be subject to or engage in (x) a merger (or reverse merger), consolidation, or other similar event affecting the Company in which outstanding shares of Common Stock are exchanged for cash, securities, and/or other property of another entity, or (y) the sale or lease of all or substantially all of the Company's assets to another person or entity (any such event in such clauses (x) and (y) an "Acquisition"), the Committee or the Board shall (i) provide that the entity that survives the Acquisition or purchases or leases the Company's assets in the Acquisition or any affiliate of such entity (the "Surviving Entity") shall assume the Options granted pursuant to this Plan or substitute options to purchase securities of the Surviving Entity (or an affiliate thereof) on an equitable basis, (ii) upon written notice to the optionees, provide that all Options will become exercisable in full subject to the consummation of the Acquisition as of a specified time prior to the Acquisition and will terminate immediately prior to the consummation of such Acquisition or within a specified period of time after the Acquisition, and will not be exercisable after such termination, or (iii) in the event of an Acquisition under the terms of which holders of Common Stock will receive upon consummation thereof an amount of cash, securities and/or other property for each share of Common Stock surrendered pursuant to such Acquisition (the amount of cash plus the fair market value reasonably determined by the Committee of any securities and/or other property received by holders of Common Stock in exchange for each share of Common Stock shall be the "Acquisition Price"), provide that all outstanding Options shall terminate upon consummation of such Acquisition and that each optionee shall receive, in exchange for all vested shares of Common Stock under such Option on the date of the Acquisition, a payment in cash or in kind having a fair market value reasonably determined by the Committee or the board of directors of the Surviving Entity equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of such vested shares of Common Stock exceeds (B) the aggregate exercise price of such shares. If the Committee chooses under clause (iii) in the preceding sentence that all outstanding Options shall terminate upon consummation of an Acquisition and that each optionee shall receive a payment for the optionee's vested shares, with respect to any optionee whose stock option agreement specifies that no shares are vested until the first anniversary of the commencement of the optionee's employment, if the consummation of the Acquisition occurs prior to such first anniversary, then the number of vested shares under such Option shall be deemed to be equal to the product of (x) the number of shares of stock subject to the Option that otherwise would vest on the first anniversary and (y) the quotient obtained by dividing the number of days the optionee was employed by the Company, by 365. For purposes hereof, an Option shall be considered to be assumed or substituted "on an equitable basis" (without limiting other ways in which an Option may be assumed or substituted on an equitable basis hereunder) if, following consummation of the Acquisition, the assumed or substituted option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Acquisition, the consideration received as a result of the Acquisition by the holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Acquisition (and if holders of Common Stock were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Acquisition Event is not solely Common Stock of the Surviving Entity (or an affiliate thereof), the Company may, with the consent of the Surviving Entity, provide for the consideration to be received upon the exercise of each share of Common Stock subject to the Option to consist solely of Common Stock of the Surviving Entity (or an affiliate thereof) having a fair market value as reasonably determined by the Committee or the board of directors of the Surviving Entity equal to the Acquisition Price.

If a Change in Control Event, as defined below, occurs that either (a) does not also constitute an Acquisition or (b) does constitute an Acquisition and clause (i) of the preceding paragraph is elected, and the optionee's employment with the Company, the Related Corporation or the Surviving Entity is terminated on or prior to the six month anniversary of the date of the consummation of such Change in Control Event either by the optionee for Good Reason, as defined below, or by the Company, the Related Corporation or the Surviving Entity for reason(s) other than Misconduct, as defined below, then all of the Options, or the equivalent to such Options in the form of assumed or substituted options granted in the Surviving Entity, that but for such termination and such Change in Control Event would vest on or prior to the next following annual anniversary of the Grant Date thereafter shall become immediately exercisable in full and any repurchase provisions applicable to Common Stock issued upon exercise thereof shall lapse, provided, however, that in particular stock option agreements issued pursuant to this Plan, the Board may provide that the Options or assumed or substituted options covered by such agreement shall become immediately exercisable upon the consummation of such Change in Control Event without regard to termination of employment, and that any repurchase provisions applicable to Common Stock issued upon exercise thereof shall lapse.

A “Change in Control Event” shall occur upon the occurrence of (i) an Acquisition after which holders of the Common Stock before the Acquisition do not beneficially own, directly or indirectly, at least 50% of the combined voting power of the then-outstanding securities of the Surviving Entity entitled to vote generally in the election of directors immediately after the consummation of the Acquisition, (ii) a single transaction or a series of transactions pursuant to which any person (within the meaning of Section 13(d) or Section 14(d)(2) of the Securities Exchange Act of 1934), excluding any employee benefit plan sponsored by the Company and any affiliates of the Company prior to such transaction or transactions, acquires the beneficial ownership, directly or indirectly, of at least 50% of the combined voting power of the then-outstanding securities of the Company or the Surviving Entity, as the case may be, entitled to vote generally in the election of directors immediately after the consummation of the transaction or transactions, except that any acquisitions of securities directly from the Company shall be disregarded for purposes of this clause (ii), or (iii) the liquidation or dissolution of the Company.

If, in connection with a Change in Control Event, a tax under Section 4999 of the Code would be imposed on the grantee of any Stock Right (after taking into account the exceptions set forth in Sections 280G(b)(4) and 280G(b)(5) of the Code), and the grantee, on an after-tax basis (taking into account such tax) would receive greater net compensation by not having any or all of such Stock Rights accelerate, then at the discretion of the Committee, the number of Stock Rights of any such grantee which shall become immediately exercisable, realizable or vested as provided in this Section 13 (or such provision of any other agreement or instrument governing such Stock Right that provides for such an acceleration in connection with a Change in Control Event) may be reduced (or delayed), to the extent necessary to maximize such net compensation. For purposes of determining “net compensation” under this paragraph, the amount of compensation considered to be realized by the grantee of any Stock Right as a result of the acceleration of the vesting of such Stock Right shall be determined in accordance with the principles set forth in the proposed Treasury Regulations under Section 280G of the Code (or any final or temporary Treasury Regulations replacing such proposed Treasury Regulations) for determining the amount of any “parachute payment” resulting from the acceleration of vesting of restricted stock, a stock option or any other unvested stock right.

- c. *Recapitalization or Reorganization.* If a recapitalization or reorganization of the Company (other than a transaction described in subparagraph (b) above) occurs, pursuant to which securities of the Company or another entity are issued with respect to the outstanding shares of Common Stock, an optionee, upon exercising an Option, shall be entitled to receive for the purchase price paid upon such exercise the securities he or she would have received if he or she had exercised his or her Option prior to such recapitalization or reorganization and had been the owner of the Common Stock receivable upon such exercise at such time.
 - d. *Modification of ISOs.* Notwithstanding the foregoing, any adjustments made pursuant to the foregoing subparagraphs (a), (b) or (c) with respect to ISOs shall be made only after the Committee, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modification" of such ISOs (as that term is defined in Section 424 of the Code or any successor thereto) or would cause any adverse tax consequences for the holders of such ISOs. If the Committee determines that such adjustments made with respect to ISOs would constitute a modification of such ISOs, it may refrain from making such adjustments.
 - e. *Issuances of Securities and Non-Stock Dividends.* Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, of the Company shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Options. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company (and, in the case of securities of the Company, such adjustments shall be made pursuant to the foregoing subparagraph (a)).
 - f. *Fractional Shares.* No fractional shares shall be issued under this Plan, and the optionee shall receive from the Company cash in lieu of such fractional shares.
 - g. *Adjustments.* Upon the happening of any of the foregoing events described in subparagraphs (a), (b) or (c) above, the class and aggregate number of shares set forth in paragraph 4 hereof that are subject to Stock Rights which previously have been or subsequently may be granted under this Plan shall also be appropriately adjusted to reflect the events described in such subparagraphs. The Committee or the board of directors of the Surviving Entity (the “Successor Board”), as applicable, shall determine the specific adjustments to be made under this paragraph 13 and its determination shall be conclusive.
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If any person or entity owning Common Stock obtained by exercise of a Stock Right made hereunder receives shares or securities or cash in connection with a corporate transaction described in subparagraphs (a), (b) or (c) above as a result of owning such Common Stock, except as otherwise provided in subparagraph (b), such shares or securities or cash shall be subject to all of the conditions and restrictions applicable to the Common Stock with respect to which such shares or securities or cash were issued, unless otherwise determined by the Committee or the Successor Board.

14. Means of Exercising Options. An Option (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office address. Such notice shall identify the Option being exercised and specify the number of shares as to which such Option is being exercised, accompanied by full payment of the purchase price therefor either (a) in United States dollars in cash or by check, or (b) at the discretion of the Committee, by delivery of an irrevocable and unconditional undertaking, satisfactory in form and substance to the Company, by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery to the Company of a copy of irrevocable and unconditional instructions, satisfactory in form and substance to the Company, to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price, or (c) at the discretion of the Committee, by delivery of the grantee's personal recourse note bearing interest payable not less than annually at no less than 100% of the applicable Federal rate, as defined in Section 1274(d) of the Code, or (d) at the discretion of the Committee, by any combination of (a), (b) and (c) above. The holder of an Option shall not have the rights of a stockholder with respect to the shares covered by his or her Option until the date of issuance of a stock certificate to the optionee for the shares subject to the Option. Except as expressly provided above in paragraph 13 with respect to changes in capitalization and stock dividends, no adjustment shall be made for dividends or similar rights for which the record date is before the date such stock certificate is issued.
 15. Term and Amendment of Plan. This Plan was originally adopted by the stockholders of the Company and the Board on December 22, 2005. This Plan shall expire on January 1, 2016 (except as to Options outstanding on that date). Subject to the provisions of paragraph 5 above, Options may be granted under this Plan prior to the date of stockholder approval of this Plan. The Board may terminate or amend this Plan in any respect at any time, except that (a) the total number of shares that may be issued under this Plan may not be increased without stockholder approval (except by adjustment pursuant to paragraph 13); (b) the provisions of paragraph 3 regarding eligibility for grants of ISOs may not be modified; (c) the provisions of paragraph 6(b) regarding the exercise price at which shares may be offered pursuant to ISOs may not be modified (except by adjustment pursuant to paragraph 13); and (d) the expiration date of this Plan may not be extended without the approval of the stockholders obtained within 12 months before or after the Board adopts a resolution authorizing any of the foregoing actions.
 16. Section 162(m). Notwithstanding anything in this Plan to the contrary, no Stock Right shall become exercisable, vested or realizable if such Stock Right is granted to an employee that is a "covered employee" as defined in Section 162(m) of the Code and the Committee has determined that such Stock Right should be structured so that it is not "applicable employee remuneration" under such Section 162(m) unless and until the terms of this Plan, including any amendment hereto, have been approved by the Company's stockholders in the manner and to the extent required under such Section 162(m).
 17. Amendment of Stock Rights. The Board or Committee may amend, modify or terminate any outstanding Stock Rights including, but not limited to, substituting therefor another Stock Right of the same or a different type, changing the date of exercise or realization, and converting an ISO to a Non-Qualified Option, provided, that, except as otherwise provided in paragraphs 9 or 10, the grantee's consent to such action shall be required unless the Board or Committee determines that the action, taking into account any related action, would not materially and adversely affect the grantee.
 18. Application of Funds. The proceeds received by the Company from the sale of shares pursuant to Stock Rights issued or granted under this Plan shall be used for general corporate purposes.
 19. Governmental Regulation. The Company's obligation to sell and deliver shares of the Common Stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such shares.
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20. Withholding of Additional Income Taxes. Upon the exercise of a Non-Qualified Option, the making of a Restricted Purchase of Common Stock for less than its fair market value, the granting of an Award, the making of a Disqualifying Disposition (as defined in paragraph 21) or the vesting of restricted Common Stock acquired on the exercise of a Stock Right hereunder, the Company, in accordance with Section 3402(a) of the Code, may require the optionee or purchaser to pay additional withholding taxes in respect of the amount that is considered compensation includible in such person's gross income. The Committee in its discretion may condition (i) the exercise of an Option, (ii) the making of a Restricted Stock Purchase of Common Stock for less than its fair market value, or (iii) the granting of an award, or (iv) the vesting of restricted Common Stock acquired by exercising a Stock Right, on the grantee's payment of such additional withholding taxes.
21. Notice to Company of Disqualifying Disposition. Each employee who receives an ISO must agree to notify the Company in writing immediately after the employee makes a Disqualifying Disposition of any Common Stock acquired pursuant to the exercise of an ISO. A "Disqualifying Disposition" is any disposition (including any sale) of such Common Stock before the later of
- a. two years after the date the employee was granted the ISO,
or
 - b. one year after the date the employee acquired Common Stock by exercising the ISO. If the employee has died before such stock is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.
22. Governing Law; Construction. The validity and construction of this Plan and the instruments evidencing Stock Rights shall be governed by the laws of the State of Delaware.

PAYMENT OF THIS NON-REVOLVING LINE OF CREDIT NOTE AND THE RIGHTS AND REMEDIES OF THE NOTEHOLDER HEREOF ARE SUBJECT TO THE TERMS AND CONDITIONS OF A SUBORDINATION AGREEMENT DATED AS OF JUNE 15, 2015 AMONG THE BORROWER, THE NOTEHOLDER AND MICHAELSON CAPITAL SPECIAL FINANCE FUND LP. ANY SUCCESSORS AND ASSIGNS OF THE NOTEHOLDER HEREOF SHALL BE SUBJECT TO AND BOUND BY THE TERMS AND CONDITIONS OF SUCH SUBORDINATION AGREEMENT. A COPY OF SUCH SUBORDINATION AGREEMENT MAY BE OBTAINED, UPON WRITTEN REQUEST OF ANY NOTEHOLDER HEREOF, FROM TECOGEN INC.

NON-REVOLVING LINE OF CREDIT NOTE

June 15, 2015

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, Tecogen Inc., a Delaware Corporation with a principal business address of 45 First Avenue, Waltham, MA 02451 (the “**Borrower**”), hereby unconditionally promises to pay to the order of John N. Hatsopoulos of 3 Woodcock Lane, Lincoln, Massachusetts 01773 or his assigns (the “**Noteholder**”, and together with the Borrower, the “**Parties**”), the principal amount of Two Million Dollars (\$2,000,000) (the “**Maximum Non-Revolving Credit**”), or so much of the Maximum Non-Revolving Credit as has been advanced from time to time by the Noteholder pursuant to **Section 2.2** hereof, together with interest on all unpaid balances under this Non-Revolving Line of Credit Note (as may be amended, modified or extended from time to time, this “**Note**”) at the applicable interest rate set forth in this Note.

1. **Definitions.** Capitalized terms used herein shall have the meanings set forth in this **Section**

1.

“**Advance**” means each disbursement made by the Noteholder to the Borrower pursuant to **Section 2.2**.

“**Applicable Rate**” means six percent (6%).

“**Borrower**” has the meaning set forth in the introductory paragraph.

“**Borrowing Notice**” has the meaning set forth in **Section 2.2**.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

“**Commitment Period**” means the period from July 1, 2015 to the Maturity Date.

“**Default**” means any of the events specified in **Section 9** which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to **Section 9** would, unless cured or waived, become an Event of Default.

“**Default Rate**” means, at any time, the Applicable Rate plus two percent (2%).

“**Event of Default**” has the meaning set forth in **Section 9**.

“**GAAP**” means generally accepted accounting principles in the United States of America as in effect from time to time.

“**Governmental Authority**” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including any supranational bodies such as the European Union or the European Central Bank).

“**Interest Payment Date**” means the last day of each quarter commencing on the first such date to occur after the execution of this Note.

“**Law**” as to any Person, means any law (including common law), statute, ordinance, treaty, rule, regulation, policy or requirement of any Governmental Authority and authoritative interpretations thereon, whether now or hereafter in effect, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

“**Lien**” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.

“**Material Adverse Effect**” means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, or condition (financial or otherwise) of the Borrower; (b) the validity or enforceability of the Note; (c) the rights or remedies of the Noteholder hereunder; and (d) the Borrower’s ability to perform any of its material payment obligations hereunder.

“**Maturity Date**” means the earlier of (a) July 1, 2017, and (b) the date on which all amounts under this Note shall become due and payable pursuant to **Section 10**.

“**Maximum Non-Revolving Line of Credit**” has the meaning set forth in the introductory paragraph.

“**Note**” has the meaning set forth in the introductory paragraph.

“**Noteholder**” has the meaning set forth in the introductory paragraph.

“**Order**” as to any Person, means any order, decree, judgment, writ, injunction, settlement agreement, requirement or determination of an arbitrator or a court or other Governmental Authority, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

“**Parties**” has the meaning set forth in the introductory paragraph.

“**Person**” means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

2. Note Disbursement Mechanics.

2.1. Commitment. Subject to **Section 2.2**, the Noteholder shall make available to the Borrower one or more Advances during the Commitment Period in an aggregate principal amount not to exceed the Maximum Non-Revolving Credit.

2.2. Advances. As a condition to the disbursement of any Advance, the Borrower shall, at least three (3) Business Days prior to the requested disbursement date, provide the Noteholder with written or electronic notice (the “**Borrowing Notice**”) setting out (a) the amount of such Advance, which amount may not exceed Two Hundred and Fifty Thousand Dollars (\$250,000) per quarter of the financial calendar starting with the third quarter of 2015; and (b) the date on which such Advance is to be disbursed. Each Borrowing Notice shall be deemed to repeat the Borrower’s representations and warranties in **Section 6** as of the date of such Borrowing Notice. Upon receipt of the Borrowing Notice, the Noteholder shall make available to the Borrower on the disbursement date specified in such Borrowing Notice the principal amount set out in such Borrowing Notice in immediately available funds.

3. Final Payment Date; Optional Prepayments.

3.1. Final Payment Date. The aggregate unpaid principal amount of the Maximum Non-Revolving Credit, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Maturity Date.

3.2. Optional Prepayment. The Borrower may prepay the Note in whole or in part at any time or from time to time without penalty or premium by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. No prepaid amount may be reborrowed.

4. Interest.

4.1. Interest Rate. Except as otherwise provided herein, the outstanding principal amount of each Advance made hereunder shall bear interest at the Applicable Rate from the date such Advance was made until the aggregate principal amount of the Maximum Non-Revolving Credit is paid in full, whether at maturity, upon acceleration, by prepayment or otherwise.

4.2. Interest Payment Dates. Interest shall be payable quarterly in arrears to the Noteholder on each Interest Payment Date.

4.3. Default Interest. If any amount payable hereunder is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such overdue amount shall bear interest at the Default Rate from the date of such non-payment until such amount is paid in full.

4.4. Computation of Interest. The interest on the outstanding principal balance of each Advance shall at all times be calculated on a 365-day year but shall accrue and be payable on the actual number of days elapsed.

5. Payment Mechanics.

5.1. Manner of Payments. All payments of interest and principal shall be made in lawful money of the United States of America no later than 4:00 PM New York, New York time on the date on which such payment is due by cashier’s check, certified check or by wire transfer of immediately available funds to the Noteholder at his business address or to the Noteholder’s account at a bank specified by the Noteholder in writing to the Borrower from time to time, whichever the Noteholder prefers.

5.2. Application of Payments. All payments made hereunder shall be applied (i) first to the payment of any fees or charges outstanding hereunder, (ii) second to accrued interest and (iii) third to the payment of the principal amount outstanding under the Note.

5.3. Business Day Convention. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.

5.4. Evidence of Debt. The Noteholder is authorized to record on the grid attached hereto as Exhibit A each Advance made to the Borrower and each payment or prepayment thereof. The entries made by the Noteholder shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; *provided, however*, that the failure of the Noteholder to record such payments or prepayments, or any inaccuracy therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Advances in accordance with the terms of this Note.

5.5. Rescission of Payments. If at any time any payment made by the Borrower under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, the Borrower's obligation to make such payment shall be reinstated as though such payment had not been made.

6. Representations and Warranties. The Borrower hereby represents and warrants to the Noteholder on the date hereof as follows:

6.1. Existence; Compliance With Laws. The Borrower is (a) a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the requisite power and authority, and the legal right, to own, lease and operate its properties and assets and to conduct its business as it is now being conducted and (b) in compliance with all Laws and Orders except to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.2. Power and Authority. The Borrower has the power and authority, and the legal right, to execute and deliver this Note and to perform its obligations hereunder.

6.3. Authorization; Execution and Delivery. The execution and delivery of this Note by the Borrower and the performance of its obligations hereunder have been duly authorized by all necessary action in accordance with all applicable Laws. The Borrower has duly executed and delivered this Note.

6.4. No Approvals. Except as set forth in Section 10(a)(iv) of the Michaelson Capital Special Finance Fund LP Senior Convertible Note dated December 23, 2013, issued by the Borrower in favor of Michaelson Capital Special Finance Fund LP, a limited partnership organized under the laws of the State of Delaware, no consent or authorization of, filing with, notice to or other act by, or in respect of, any Governmental Authority or any other Person is required in order for the Borrower to execute, deliver, or perform any of its obligations under this Note.

6.5. No Violations. The execution and delivery of this Note and the consummation by the Borrower of the transactions contemplated hereby do not and will not (a) violate any provision of the Borrower's organizational documents; (b) violate any Law or Order applicable to the Borrower or by which any of its properties or assets may be bound; or (c) constitute a default under any material agreement or contract by which the Borrower may be bound.

6.6. Enforceability. The Note is a valid, legal and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

6.7. No Litigation. No action, suit, litigation, investigation or proceeding of, or before, any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its properties or assets (a) with respect to the Note or any of the transactions contemplated hereby or (b) that would be expected to materially adversely affect the Borrower's financial condition or the ability of the Borrower to perform its obligations under the Note.

7. Affirmative Covenants. Until all amounts outstanding in this Note have been paid in full, the Borrower shall:

7.1. Maintenance of Existence. (a) Preserve, renew and maintain in full force and effect its corporate or organizational existence and (b) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

7.2. Compliance. Comply with (a) all of the terms and provisions of its organizational documents, (b) its obligations under its material contracts and agreements and (c) all Laws and Orders applicable to it and its business, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

7.3. Payment Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings, and reserves in conformity with GAAP with respect thereto have been provided on its books.

7.4. Notice of Events of Default. As soon as possible and in any event within two (2) Business Days after it becomes aware that a Default or an Event of Default has occurred, notify the Noteholder in writing of the nature and extent of such Default or Event of Default and the action, if any, it has taken or proposes to take with respect to such Default or Event of Default.

7.5. Further Assurances. Upon the request of the Noteholder, promptly execute and deliver such further instruments and do or cause to be done such further acts as may be necessary or advisable to carry out the intent and purposes of this Note.

8. Death or Incapacity of Noteholder. If the Noteholder dies or becomes incapacitated, then the entire principal amount of this Note, together with all accrued interest thereon and all other amounts payable hereunder, shall immediately become due and payable.

9. Events of Default. The occurrence and continuance of any of the following shall constitute an Event of Default hereunder:

9.1. Failure to Pay. The Borrower fails to pay (a) any principal amount of the Note when due or (b) interest or any other amount when due and such failure continues for two (2) business days after written notice is provided to the Borrower.

9.2. Breach of Representations and Warranties. Any representation or warranty made or deemed made by the Borrower to the Noteholder herein is incorrect in any material respect on the date as of which such representation or warranty was made or deemed made.

9.3. Breach of Covenants. The Borrower fails to observe or perform (a) any covenant, condition or agreement contained in **Section 7.4** or (b) any other material covenant, obligation, condition or agreement contained in this Note other than those specified in clause (a) and **Section 9.1** and such failure continues for 30 days after written notice to the Borrower.

9.4. Bankruptcy.

(a). the Borrower commences any case, proceeding or other action (i) under any existing or future Law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or (ii) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower makes a general assignment for the benefit of its creditors;

(b). there is commenced against the Borrower any case, proceeding or other action of a nature referred to in **Section 9.4(a)** above which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of 60 days;

(c). there is commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which has not been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof;

(d). the Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in **Section 9.4(a)**, **Section 9.4(b)** or **Section 9.4(c)** above; or

(e). the Borrower is generally not, or shall be unable to, or admits in writing its inability to, pay its debts as they become due.

9.5. Judgments. One or more judgments or decrees shall be entered against the Borrower and all of such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof.

10. Remedies. Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Noteholder may at its option, by written notice to the Borrower (a) terminate its commitment to make any Advances hereunder; (b) declare the entire principal amount of this Note, together with all accrued interest thereon and all other amounts payable hereunder, immediately due and payable; and (c) exercise any or all of its rights, powers or remedies under applicable Law; *provided, however* that, if an Event of Default described in **Section 9.4** shall occur, the principal of and accrued interest on the Maximum Non-Revolving Credit shall become immediately due and payable without any notice, declaration or other act on the part of the Noteholder.

11. Miscellaneous.

11.1. Notices.

(a). All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing, including via e-mail, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

- (i) If to the Borrower:
Tecogen Inc. (see address listed above)
Attn: Chief Financial Officer
Telephone: (781) 466-6400, Facsimile: (781) 466-6466
E-mail: david.garrison@tecogen.com
-

(ii) If to the Noteholder:
John N. Hatsopoulos (see address listed above)
Telephone: (781) 622-1120, Facsimile: (781) 622-1027
E-mail: Jhatsopoulos@tecogen.com

(b). Notices if (i) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day); and (iii) sent by e-mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment).

11.2. Expenses. The Borrower agrees to pay on demand the costs and expenses of the Noteholder, and fees and disbursements of counsel, in connection with any Event of Default, the enforcement or attempted enforcement of, and preservation of any rights or interests under, this Note, and any out-of-court workout or other refinancing or restructuring or any bankruptcy or insolvency case or proceeding..

11.3. Governing Law. This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

11.4. Submission to Jurisdiction. The Borrower hereby (a) submits to the non-exclusive jurisdiction of the courts of the Commonwealth of Massachusetts and the Federal courts of the United States sitting in the District of Massachusetts (collectively, the "Massachusetts Courts"), for the purpose of any action or proceeding arising out of or relating to this Note, (b) irrevocably waives (to the extent permitted by applicable law) any objection which it now or hereafter may have to the laying of venue of any such action or proceeding brought in any of the Massachusetts Courts, and any objection on the ground that any such action or proceeding in any Massachusetts Court has been brought in an inconvenient forum, and (c) agrees that (to the extent permitted by applicable law) a final judgment in any such action or proceeding brought in a Massachusetts Court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner permitted by law.

11.5. Counterparts; Integration; Effectiveness. This Note and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. This Note and the Subordination Agreement dated as of June 15, 2015, among the Borrower, the Noteholder and Michaelson Capital Special Finance Fund LP constitutes the entire contract between the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Note by facsimile or electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Note.

11.6. Successors and Assigns. This Note shall be binding on the Borrower and its successors and assigns, and shall be binding upon and inure to the benefit of the Noteholder, any future holder of this Note and their respective successors and assigns. The Borrower may not assign or transfer this Note or any of its obligations hereunder without Noteholder's prior written consent.

11.7. Interpretation. For purposes of this Note (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Exhibits and Sections mean the Exhibits and Sections of this Note; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

11.8. Amendments and Waivers. No term of this Note may be waived, modified or amended except by an instrument in writing signed by both of the parties hereto. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

11.9. Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

11.10. No Waiver. No single or partial exercise of any power under this Note shall preclude any other or further exercise of such power or exercise of any other power. No delay or omission on the part of the Noteholder in exercising any right under this Note shall operate as a waiver of such right or any other right thereunder

11.11. Electronic Execution. The words “execution,” “signed,” “signature,” and words of similar import in the Note shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.), the Electronic Signatures and Records Act of 1999 (N.Y. State Tech. Law §§ 301-309), or any other similar state laws based on the Uniform Electronic Transactions Act.

11.12. Severability. If any term or provision of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Note so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has executed this Note as of July 1, 2015.

Tecogen, Inc.

By /s/ David Garrison

Name: David Garrison

Title: Chief Financial Officer

Acknowledged and agreed:

By: /s/ John N. Hatsopoulos

Name: John N. Hatsopoulos

TECOGEN INC.
CERTIFICATION REQUIRED BY EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John N. Hatsopoulos, certify that:

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

Date: August 6, 2015

/s/ John N. Hatsopoulos
John N. Hatsopoulos
Co-Chief Executive Officer

TECOGEN INC.
CERTIFICATION REQUIRED BY EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Benjamin M. Locke, certify that:

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

Date: August 6, 2015

/s/ Benjamin M. Locke
Benjamin M. Locke
Co-Chief Executive Officer

TECOGEN INC.
CERTIFICATION REQUIRED BY EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David A. Garrison, certify that:

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

Date: August 6, 2015

/s/ David A. Garrison

David A. Garrison

Chief Financial Officer, Secretary and Treasurer

TECOGEN INC.
CERTIFICATION REQUIRED BY EXCHANGE ACT RULES 13a-14(b) and 15d-14(b),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of, John N. Hatsopoulos, Co-Chief Executive Officer, Benjamin M. Locke, Co-Chief Executive Officer, and David A. Garrison, Chief Financial Officer, of Tecogen Inc., or the Company, certify, pursuant to Section 1350, Chapter 63 of Title 18, United States Code that, to his knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2015

/s/ John N. Hatsopoulos

John N. Hatsopoulos
Co-Chief Executive Officer

/s/ Benjamin M. Locke

Benjamin M. Locke
Co-Chief Executive Officer

/s/ David A. Garrison

David A. Garrison
Chief Financial Officer, Secretary and Treasurer