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Why did promising ReliOn only sell for \$4 million? Fuel cell firms are struggling

Unless Spokane-based hydrogen fuel cell company ReliOn could land a big investment or find a buyer, its chances of riding out 2014 looked bleak, its former chief executive officer said this week.

So to keep the company operating, ReliOn's investors agreed to sell the company to New York-based fuel cell maker Plug Power Inc.

"The advantage for us is that we're now part of a larger company," said Gary Flood, who became CEO of ReliOn nine years ago. With the sale, he's no longer in charge but is still ReliOn president.



The company faced challenges widespread across the fuel cell industry, Flood said. Companies have generally focused on one niche area, with the result that they incur significant operating expenses without generating enough cash to be self-sustaining, he said.

ReliOn's niche has been designing and selling stationary backup power systems. Plug Power has been selling power units for companies that use vehicles to haul equipment and materials.

Discussions that started earlier this year led to this week's announcement that Plug Power was gaining ReliOn's customers, patents and inventory for \$4 million.

That sale price wasn't as high as ReliOn's investors were hoping to get, Flood said.

"Unfortunately, you're worth what you're worth," Flood said, noting that the buyout essentially wiped away ReliOn's outstanding debt.

Plug Power, launched in 1997 and traded on the Nasdaq, still hasn't had a profitable year for the same reasons faced by ReliOn, Flood noted.

Flood's major challenge for 2014 was finding capital infusion to keep ReliOn going, against the background of a sagging sales chart.

Privately held ReliOn generated about \$5 million in sales last year. That was half of

what it did in sales in 2012 and well below the roughly \$13 million in sales the year before that.

“A lot of that (decline in sales) is because we are dependent on fairly large company customers. When they make capital purchase decisions and we don’t get those (orders), it’s difficult. We have up and down years.”

Before the deal with Plug Power was set, Flood had to reduce the company head count to control costs. The Spokane-area workforce dropped from 45 to 15 workers.

Once the decision to sell to Plug Power was approved, he got the OK to bring back some staff. ReliOn now has 25 people. The jobs are primarily in engineering, product management and sales.

Plug Power has no plans to close the Spokane operation and will keep the ReliOn brand, Flood said. “They know the brand is well-known and established,” he said.

Avista Corp. launched the company as Avista Laboratories in 1995. In 2003 it was spun off and established as ReliOn.

Flood noted that preserving the company here aids the local economy. It depends on several local companies for materials and for contract manufacturing the components used in fuel cell backup units.

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