

NEW RISK ALERT: (FCEL)

FuelCell to Repay \$6.5 Million Forgiveable PPP Loan Following SEC Investigation

Latest 10-Q reveals company has pulled its application for forgiveness following disclosure of probe.

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This alert compares the language used in the company's latest filing with the period before. Research suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

FuelCell Yanks Forgiveness Application, Pays Back PPP Loan

FuelCell Energy, which sells stationary fuel cell power plants to utilities, disclosed it is no longer seeking forgiveness for the \$6.5 million PPP loan it received in response to the pandemic in 2020. In January 2021, we issued a [New Risk Alert](#) warning investors the SEC was investigating FuelCell over its PPP Loan application:

"On or about May 11, 2020, the Division of Enforcement of the SEC sent the Company an inquiry requesting that we voluntarily provide information to the SEC pertaining to our application and resulting PPP Loan and how the need for the PPP Loan compares with our filings, disclosures and financial condition. While this request for information is voluntary and the Company was not obligated to respond, we are cooperating and have provided information to the SEC."

The loans are intended to help companies hit hard during the pandemic. FuelCell's sales increased more than 100% in the quarter it received its PPP loan. The stock quadruped in 2020 and the company raised at least \$305 million in two equity offerings.

In its Q1 FY21 [10-Q](#), FuelCell disclosed a change of heart—which was also [disclosed](#) a month earlier—announcing it now prefers to pay back the loan rather than have it forgiven and blaming its application for forgiveness on a requirement by a former creditor:

"As required by Orion Energy Partners Investment Agent, LLC and its affiliated lenders (collectively, "Orion") under the Company's (now former) senior secured credit facility, the Company applied for forgiveness of the PPP Loan in October 2020. However, with the

repayment in full of all amounts owed to Orion in December 2020, the Company is no longer required to pursue forgiveness of the PPP Loan. Additionally, since the time of the application for forgiveness, the Company's financial circumstances have changed substantially, such that the Company is no longer in need of forgiveness of the PPP Loan. Accordingly, on February 11, 2021, the Company withdrew its application for forgiveness and repaid all amounts outstanding under the PPP Note.”

FuelCell repaid approximately \$6.57 million, including approximately \$52,000 in interest. Taxpayers certainly benefit from the change of heart, though it's not clear whether shareholders will as well. If FuelCell's managers misrepresented the company's financial condition to obtain the PPP loan, the company may be fined and executives may face prison time. FuelCell did not update investors as to the status of the SEC investigation or whether repayment of the loan satisfied the commission.