

KOPIN CORP
Form 10-Q
May 10, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 March 31, 2018

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

For the transition period from _____ to _____

Commission file number 0-19882

KOPIN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 04-2833935
State or other jurisdiction of (I.R.S. Employer
incorporation or organization Identification No.)

125 North Drive, Westborough, MA 01581-3335
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (508) 870-5959

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 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 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 (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practicable date.

Class Outstanding as of
May 7, 2018

Common Stock, par value \$0.01 76,529,535

Table of Contents

Kopin Corporation
INDEX

	Page No.
<u>Part I – Financial Information</u>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets at March 31, 2018 (Unaudited) and December 31, 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2018 and April 1, 2017</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss (Unaudited) for the three months ended March 31, 2018 and April 1, 2017</u>	<u>5</u>
<u>Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three months ended March 31, 2018</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2018 and April 1, 2017</u>	<u>7</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4. <u>Controls and Procedures</u>	<u>27</u>
<u>Part II – Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>28</u>
Item 1A. <u>Risk Factors</u>	<u>28</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
Item 6. <u>Exhibits</u>	<u>29</u>
<u>Signatures</u>	<u>30</u>

Table of Contents

Part 1. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

KOPIN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2018	December 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$24,167,900	\$24,848,227
Marketable debt securities, at fair value	36,873,595	43,907,457
Accounts receivable, net of allowance of \$273,000 in 2018 and \$149,000 in 2017	2,457,904	3,955,123
Contract assets - unbilled receivables	2,479,062	704,863
Inventory	3,773,305	5,080,797
Prepaid taxes	102,462	264,352
Prepaid expenses and other current assets	1,155,303	978,677
Total current assets	71,009,531	79,739,496
Property, plant and equipment, net	5,304,135	5,077,043
Goodwill	1,801,988	1,780,247
Intangible assets, net	662,727	883,636
Other assets	4,194,219	3,842,068
Equity investment	3,900,000	—
Total assets	\$86,872,600	\$91,322,490
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,210,639	\$4,918,605
Accrued payroll and expenses	1,920,873	1,636,512
Accrued warranty	599,000	649,000
Contract liabilities - billings in excess of revenue earned	384,073	896,479
Other accrued liabilities	2,106,782	2,066,025
Income tax payable	—	1,416,892
Deferred tax liabilities	523,529	520,000
Total current liabilities	8,744,896	12,103,513
Deferred revenue, net of current portion	262,207	374,171
Asset retirement obligations	280,348	269,877
Other long-term obligations	1,484,713	1,195,082
Stockholders' equity:		
Preferred stock, par value \$.01 per share: authorized, 3,000 shares; none issued	—	—
Common stock, par value \$.01 per share: authorized, 120,000,000 shares; issued 81,046,313 shares in 2018 and 80,201,313 shares in 2017; outstanding 73,078,783 shares in 2018 and 73,058,783 shares in 2017	775,920	775,720
Additional paid-in capital	332,518,555	331,119,340
Treasury stock (4,513,256 shares in 2018 and 2017, at cost)	(17,238,669)	(17,238,669)
Accumulated other comprehensive income	3,294,916	3,564,779
Accumulated deficit	(242,598,797)	(240,121,901)
Total Kopin Corporation stockholders' equity	76,751,925	78,099,269

Noncontrolling interest	(651,489)	(719,422)
Total stockholders' equity	76,100,436		77,379,847	
Total liabilities and stockholders' equity	\$86,872,600		\$91,322,490	

See notes to unaudited condensed consolidated financial statements

3

Table of Contents

KOPIN CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three months ended	
	March 31, 2018	April 1, 2017
Revenues:		
Net product revenues	\$5,044,809	\$3,933,142
Research and development revenues	608,811	444,985
	5,653,620	4,378,127
Expenses:		
Cost of product revenues	4,062,191	3,117,357
Research and development	4,451,653	4,281,870
Selling, general and administration	6,931,410	5,641,684
	15,445,254	13,040,911
Loss from operations	(9,791,634)	(8,662,784)
Other income (expense):		
Interest income	159,851	233,777
Other income	1,101,255	534,411
Foreign currency transaction gains (losses)	208,608	(1,191,283)
Gain on investments	2,849,816	—
	4,319,530	(423,095)
Loss before (provision) benefit for income taxes and net loss (income) attributable to noncontrolling interest	(5,472,104)	(9,085,879)
Tax benefit	—	1,146,000
Net loss		