

KOPIN CORP  
Form 10-Q  
November 05, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the Quarterly Period Ended September 26, 2009**

**OR**

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

**Commission file number 0-19882**

**KOPIN CORPORATION**

(Exact name of registrant as specified in its charter)

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|  |  |
|--|--|
| <b>Delaware</b><br>State or other jurisdiction of<br><br>incorporation or organization | <b>04-2833935</b><br>(I.R.S. Employer<br><br>Identification No.) |
| <b>200 John Hancock Rd., Taunton, MA</b><br>(Address of principal executive offices)   | <b>02780-1042</b><br>(Zip Code)                                  |
| <b>Registrant's telephone number, including area code: (508) 824-6696</b>              |  |

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  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

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

| Class                         | Outstanding as of October 30, 2009 |
|-------------------------------|------------------------------------|
| Common Stock, par value \$.01 | 66,265,045                         |

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**Table of Contents****Part 1: FINANCIAL INFORMATION****Item 1: Condensed Consolidated Financial Statements****KOPIN CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

|  | September 26,<br>2009 | December 27,<br>2008 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and equivalents   | \$ 50,104,709         | \$ 57,949,449        |
| Marketable securities, at fair value   | 57,414,269            | 42,066,542           |
| Accounts receivable, net of allowance of \$1,331,000 and \$664,000 in 2009 and 2008, respectively  | 18,545,514            | 14,394,306           |
| Accounts receivable from unconsolidated affiliates, net of allowance of \$321,000 and \$507,000 in 2009 and 2008, respectively   | 2,584,891             | 2,814,447            |
| Unbilled receivables   | 1,791,355             | 2,395,963            |
| Inventory  | 15,537,285            | 13,269,486           |
| Prepaid expenses and other current assets  | 3,460,760             | 1,366,968            |
| Total current assets   | 149,438,783           | 134,257,161          |
| Property, plant and equipment  | 20,803,370            | 19,359,874           |
| Other assets   | 8,418,941             | 6,060,460            |
| Total assets   | \$ 178,661,094        | \$ 159,677,495       |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable   | \$ 9,788,836          | \$ 7,744,005         |
| Accounts payable to unconsolidated affiliates  |                       | 992,990              |
| Accrued payroll and expenses   | 3,025,597             | 2,304,210            |
| Accrued warranty   | 1,600,000             | 1,250,000            |
| Billings in excess of revenue earned   | 2,994,776             | 3,127,923            |
| Other accrued liabilities  | 2,893,617             | 1,996,947            |
| Total current liabilities  | 20,302,826            | 17,416,075           |
| Asset retirement obligations   | 894,091               | 866,965              |
| Commitments and contingencies  |                       |                      |
| 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 73,576,799 shares in 2009 and 73,147,743 shares in 2008; outstanding 66,023,695 in 2009 and 68,257,748 in 2008 | 719,269               | 718,732              |
| Additional paid-in capital   | 311,430,268           | 310,241,805          |
| Treasury stock (5,661,879 and 3,615,480 shares in 2009 and 2008, respectively, at cost)  | (19,852,316)          | (14,552,865)         |
| Accumulated other comprehensive income (loss)  | 2,957,602             | (168,303)            |
| Accumulated deficit  | (141,868,426)         | (157,757,433)        |
| Total Kopin Corporation stockholders' equity   | 153,386,397           | 138,481,936          |

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|  |                |                |
|--|----------------|----------------|
| Noncontrolling interest                    | 4,077,780      | 2,912,519      |
| Total stockholders' equity                 | 157,464,177    | 141,394,455    |
| Total liabilities and stockholders' equity | \$ 178,661,094 | \$ 159,677,495 |

See notes to condensed consolidated financial statements

**Table of Contents****KOPIN CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

|  | <b>Three Months Ended</b>     |                               | <b>Nine Months Ended</b>      |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | <b>September 26,<br/>2009</b> | <b>September 27,<br/>2008</b> | <b>September 26,<br/>2009</b> | <b>September 27,<br/>2008</b> |
| <b>Revenues:</b>   |                               |                               |                               |                               |
| Net product revenues   | \$ 30,638,292                 | \$ 29,340,077                 | \$ 77,377,650                 | \$ 80,507,309                 |
| Research and development revenues  | 1,340,698                     | 1,368,455                     | 4,306,331                     | 5,205,865                     |
|  | 31,978,990                    | 30,708,532                    | 81,683,981                    | 85,713,174                    |
| <b>Expenses:</b>   |                               |                               |                               |                               |
| Cost of product revenues   | 20,652,628                    | 19,415,672                    | 54,696,123                    | 58,423,275                    |
| Research and development   | 3,556,440                     | 4,067,830                     | 10,493,879                    | 12,854,308                    |
| Selling, general, and administration   | 3,495,619                     | 4,006,345                     | 10,506,051                    | 12,904,325                    |
|  | 27,704,687                    | 27,489,847                    | 75,696,053                    | 84,181,908                    |
| Income from operations   | 4,274,303                     | 3,218,685                     | 5,987,928                     | 1,531,266                     |
| <b>Other income and expense:</b>   |                               |                               |                               |                               |
| Interest income  | 501,269                       | 715,181                       | 1,766,071                     | 2,474,938                     |
| Other income and (expense)   | 15,424                        | (10,918)                      | 225,614                       | 63,812                        |
| Foreign currency (losses) gains  | (889,643)                     | 1,168,966                     | (757,060)                     | 1,944,426                     |
| Gain on remeasurement of investment in KTC   | 599,328                       |                               | 599,328                       |                               |
| Gain (loss) on loans to KTC  | 1,187,937                     | (75,725)                      | 1,187,937                     | (75,725)                      |
| Impairment of investment in Kenet  |                               | (1,990,645)                   |                               | (2,690,645)                   |
| Other-than-temporary impairment on marketable debt securities  |                               | (462,350)                     | (926,630)                     | (462,350)                     |
| Gain on sale of patents  | 2,119,064                     |                               | 6,231,849                     |                               |
|  | 3,533,379                     | (655,491)                     | 8,327,109                     | 1,254,456                     |
| Income before provision for income taxes, equity earnings (losses) in unconsolidated affiliates and net loss (income) of noncontrolling interest | 7,807,682                     | 2,563,194                     | 14,315,037                    | 2,785,722                     |
| Tax provision  | (162,000)                     | (390,000)                     | (798,000)                     | (809,000)                     |
| Income before equity earnings (losses) in unconsolidated affiliates and net loss (income) of noncontrolling interest                             | 7,645,682                     | 2,173,194                     | 13,517,037                    | 1,976,722                     |
| Equity earnings (losses) in unconsolidated affiliates  | 772,424                       | (439,736)                     | 481,766                       | (605,637)                     |
| Net income   | 8,418,106                     | 1,733,458                     | 13,998,803                    | 1,371,085                     |
| Net loss (income) attributable to the noncontrolling interest  | 100,779                       | (235,154)                     | 116,492                       | (596,799)                     |
| Net income attributable to the controlling interest  | 8,518,885                     | 1,498,304                     | 14,115,295                    | 774,286                       |
| <b>Net income per share</b>  |                               |                               |                               |                               |
| Basic  | \$ 0.13                       | \$ 0.02                       | \$ 0.21                       | \$ 0.01                       |
| Diluted  | \$ 0.13                       | \$ 0.02                       | \$ 0.21                       | \$ 0.01                       |
| <b>Weighted average number of common shares</b>  |                               |                               |                               |                               |

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|         |            |            |            |            |
|---------|------------|------------|------------|------------|
| Basic   | 66,214,047 | 67,774,347 | 67,023,695 | 67,749,273 |
| Diluted | 67,028,547 | 68,528,182 | 67,567,258 | 68,002,211 |

See notes to condensed consolidated financial statements

**Table of Contents****KOPIN CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)**

|  | <b>Three Months Ended</b>     |                               | <b>Nine Months Ended</b>      |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | <b>September 26,<br/>2009</b> | <b>September 27,<br/>2008</b> | <b>September 26,<br/>2009</b> | <b>September 27,<br/>2008</b> |
| Net income                                       | \$ 8,418,106                  | \$ 1,733,458                  | \$ 13,998,803                 | \$ 1,371,085                  |
| Foreign currency translation gain (loss)         | 1,407,822                     | (2,665,624)                   | 1,226,542                     | (4,870,267)                   |
| Unrealized holding gain on marketable securities | 2,411,910                     | 221,229                       | 3,698,847                     | 323,454                       |
| Reclassifications of gains in net income         | (1,293)                       | (16,718)                      | (228,535)                     | (                             |