KOPIN CORP
Form 10-K/A
March 22, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K/A

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

For the fiscal year ended December 29, 2012
OR

¨ 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 (State or other jurisdiction of incorporation or organization)	04-2833935 (I.R.S. Employer Identification No.)
200 John Hancock Rd., Taunton, MA (Address of principal executive offices)	02780-1042 (Zip Code)
Registrant's telephone number, including area code:	(508) 824-6696
Securities registered pursuant to Section 12(b) of the Act:	Common Stock, par value $.01 per share (Title of Class)
Name of each exchange on which registered	NASDAQ Global Market
Securities registered pursuant to Section 12(g) of the Act:	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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). x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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. (Check one):

Large Accelerated Filer ¨ Accelerated Filer x 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 x
As of June 30, 2012 (the last business day of the registrant's most recent second fiscal quarter) the aggregate market value of outstanding shares of voting stock held by non-affiliates of the registrant was $218,148,796.
As of March 15, 2013, 66,578,555 shares of the registrant’s Common Stock, par value $.01 per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant’s definitive Proxy Statement relating to its 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

KOPIN CORPORATION
FORM 10K/A
EXPLANATORY NOTE

This Amendment No. 1 to the annual report of Kopin Corporation (the “Company”) on Form 10-K/A (“Form 10-K/A”) amend our annual report on Form 10-K for the year ended December 29, 2012 (“Form 10-K”), which was originally filed on March 18, 2013. This amendment is being filed solely for the following purposes: (a) to file the consent of our independent registered public accounting firm of their report dated March 18, 2013 relating to the financial statements and financial statement schedule of Kopin Corporation (which report expressed an unqualified opinion and includes an explanatory paragraph relating to sale of the III-V product line), and the effectiveness of Kopin Corporation’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Kopin Corporation for the year ended December 29, 2012 included by incorporation in Registration Statements on Form S-8 File Nos. 33-71744, 33-88812, 33-87308, 333-46613, 333-92395, 333-49890, 333-73208, 333-98285, 333-113614, 333-115342, 333-150258 and 333-173066 which was inadvertently omitted from the Form 10-K and (b) to clarify a statement made in Part 1 Forward Looking Statements and a statement made in Item 7 Management’s Discussion and Analysis. In Part 1 Forward Looking Statements we stated “our expectation that we will have a consolidated net loss in the range of $15 million to $19 million in 2013” and in Item 7 of Management’s Discussion and Analysis we stated “We currently expect to have a consolidated net loss in the range of $15 million to $19 million in 2013.” We are amending Part 1 Forward Looking Statements to state “our expectation that we will have a consolidated net loss in the range of $15 million to $19 million in 2013, excluding the gain resulting from the sale of our III-V product line which has been classified as a discontinued operation, if any,” and we are amending Item 7 of Management’s Discussion and Analysis with the statement “We currently expect to have a consolidated net loss in the range of $15 million to $19 million in 2013, excluding the gain, if any, resulting from the sale of our III-V product line which has been classified as a discontinued operation.”

The other information in this filing speaks only as of the date of the original filing of the Form 10-K and no other changes have been made to the original filing and the original filing speaks as of the original filing date and no updated disclosures are contained herein to reflect events which occurred at a date subsequent to the original filing of the Form 10-K.

Part I
Forward Looking Statements
This Annual Report on Form 10-K contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including, without limitation, statements made relating to our expectation that we will continue to pursue other U.S. government development contracts for applications that relate to our commercial product applications; our expectation that we will prosecute and defend our proprietary technology aggressively; our belief that it is important to retain personnel with experience and expertise relevant to our business; our belief that our products are targeted towards markets that are still developing and our competitive strength is creating new technologies; our belief that it is important to invest in research and development to achieve profitability even during periods when we are not profitable; our belief that we are a leading developer and manufacturer of advanced miniature displays; our belief that our products enable our customers to develop and market an improved generation of products; our belief that that the technical nature of our products and markets demands a commitment to close relationships with our customers; our belief that our Golden-i technology will provide for increased worker productivity, safety and improved manufacturing quality; our belief that our ability to develop and expand the Golden-i technologies and to market and license the Golden-i technology will be important for our revenue growth and ability to achieve profitability; our expectation that we will incur significant development and marketing costs in 2013 to commercialize the Golden-i technologies; our statement that we may make equity investments in companies; our expectation that KoBrite will incur additional losses in the near term; our expectation that the operations at our Korean facility, Kowon, will cease and approximately $14.2 million of cash and marketable debt held by Kowon will

eventually be remitted back to the U.S.; our expectation that revenue will be between $18 million and $22 million for 2013; our expectation that we will have a consolidated net loss in the range of $15 million to $19 million in 2013, excluding the gain resulting from the sale of our III-V product line which has been classified as a discontinued operation, if any,; our expectation that the U.S. government will significantly reduce funding for programs through which we sell high margin military products; our expectation that revenues from sales of defense related products to the U.S. government to decline approximately $8 million to $10 million in our 2013 fiscal year; our expectation that we will not achieve the milestones in the state grant from Massachusetts and our expectation that we will be required to repay the balance of such grant;our belief that a strengthening of the U.S. dollar could increase the price of our products in foreign markets; our expectation that we will not receive additional amounts from the sale of patents; our belief that our future success will depend primarily upon the technical expertise, creative skills and management abilities of our officers and key employees rather than on patent ownership; our belief that our extensive portfolio of patents, trade secrets and non-patented know-how provides us with a competitive advantage in the micro-display industry; our belief that our ability to develop innovative products based on our extensive materials science expertise enhances our opportunity to grow within our targeted markets; our belief that continued introduction of new products in our target markets is essential to our growth; our expectation that our display products will benefit from further general technological advances in the design and production of integrated circuits and active matrix LCDs, resulting in further improvements in resolution and miniaturization; our belief that our manufacturing process offers greater miniaturization, reduced cost, higher pixel density, full color capability and lower power consumption compared to conventional active matrix LCD manufacturing approaches; our expectation not to pay cash dividends for the foreseeable future and to retain earnings for the development of our businesses; our expectation, based on current negotiations with our customers and certain contractual obligations, that the sales prices of certain products will decline in fiscal year 2013; our expectation that sales of our displays into the TWS program will decline significantly in 2013; our plan to base production and inventory levels based on internal forecasts of customer demands; our belief that the overall increase or decrease in the average sales price of our display products will be dependent on the sales mix of commercial and military display sales; our belief that the U.S. military will evaluate competitors' products for the next thermal weapon sight program; our expectation that we will expend between $2.0 and $3.0 million on capital expenditures over the next twelve months; our expectation that competition will increase; our belief that our display products are well suited for new applications such as reading e-mail and browsing the Internet using digital wireless devices and other consumer electronics devices; our belief that small form factor displays will be a critical component in the development of advanced wireless communications systems; our belief that one of the benefits of our display technology is the ability to produce high-resolution displays in small form factors; our belief that wireless handset makers are looking to create products that complement or eventually replace wireless handsets; our belief that general technological advances in the design and fabrication of integrated circuits, LCD technology and LCD manufacturing processes will allow us to continue to enhance our display product manufacturing process; our expectation that a significant market for new wireless communication devices, including personal entertainment systems, will develop; our belief that continued introduction of new products in our target markets is essential to our growth; our belief that our available cash resources will support our operations and capital needs for at least the next twelve months; our expectation that our interest income will decline in 2013; our expectation that we will not pay domestic federal taxes in the near term; our expectation that we will have taxes based on U.S. federal tax liabilities, on federal alternative minimum tax rules and on our foreign operations in 2013; our expectation that we will have a state tax provision in 2013; our expectation that the adoption of certain accounting standards will not have a material impact on our financial position or results of operations; our belief that our business is not disproportionately affected by climate change regulations; our belief that our operations have not been materially affected by inflation; and our belief that the effect, if any, of reasonably possible near-term changes in interest rates on our financial position, results of operations, and cash flows should not be material. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate, management's beliefs, and assumptions made by management. In addition, other written or oral statements, which constitute forward-looking statements, may be made by or on behalf of us. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “could”, “seeks”, “estimates”, and variations of such words and similar expressio intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause or contribute to such differences in outcomes and results include, but are not limited to, those discussed below in Item 1A and those set forth in our other periodic filings filed with the Securities and Exchange Commission. Except as required by law, we do not intend to update any forward-looking statements even if new information becomes available or other events occur in the future.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and notes to those statements and other financial information appearing elsewhere in this Form 10-K. The following discussion contains forward looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward looking statements as a result of a number of factors, including the risks discussed in Item 1A “Risk Factors”, and elsewhere in this Annual Report on Form 10-K.

Management's discussion and analysis of our financial condition and results of operations are based upon our audited consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition under the percentage-of-completion method, bad debts, inventories, warranty reserves, investment valuations, valuation of stock compensation awards, recoverability of deferred tax assets, liabilities for uncertain tax positions and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions.

The prior period amounts have been revised for the impact of discontinued operations due to the expected sale of our III-V product line, including our KTC subsidiary. Our financial results for prior periods have also been revised, in accordance with GAAP, to reflect certain changes to the business and other matters.

We believe the following critical accounting policies are most affected by our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

We recognize revenue if four basic criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred and services rendered; (3) the price to the buyer is fixed or determinable; and (4) collectability is reasonably assured. We do not recognize revenue for products prior to customer acceptance unless we believe the product meets all customer specifications and has a history of consistently achieving customer acceptance of the product. Provisions for product returns and allowances are recorded in the same period as the related revenues. We analyze historical returns, current economic trends and changes in customer demand and acceptance of product when evaluating the adequacy of sales returns and other allowances. Certain product sales are made to distributors under agreements allowing for a limited right of return on unsold products. Sales to distributors are primarily made for sales to the distributors' customers and not for stocking of inventory. We delay revenue recognition for our estimate of distributor claims of right of return on unsold products based upon our historical experience with our products and specific analysis of amounts subject to return based upon discussions with our distributors or their customers.

We recognize revenues from long-term research and development contracts on the percentage-of-completion method of accounting as work is performed, based upon the ratio of costs or hours already incurred to the estimated total cost of completion or hours of work to be performed. Revenue recognized at any point in time is limited to the amount funded by the U.S. government or contracting entity. We account for product development and research contracts that have established prices for distinct phases as if each phase were a separate contract. In some instances, we are contracted to create a deliverable which is anticipated to go into full production. In those cases, we discontinue the percentage-of-completion method after formal qualification of the deliverable has been completed and revenue is then recognized based on the criteria established for sale of products. In certain instances qualification may be achieved and delivery of production units may commence however our customer may have either identified new issues to be resolved or wish to incorporate a newer display technology. In these circumstances new units delivered will continue to be accounted for under the criteria established for sale of products.

We classify amounts earned on contracts in progress that are in excess of amounts billed as unbilled receivables and we classify amounts received in excess of amounts earned as billings in excess of revenues earned. We invoice based on dates specified in the related agreement or in periodic installments based upon our invoicing cycle. We recognize the entire amount of an estimated ultimate loss in our financial statements at the time the loss on a contract becomes known.

Accounting for design, development and production contracts requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of the work required to be performed on many of our contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor and subcontracting costs, as well as an allocation of indirect costs. We have to make assumptions regarding the number of labor hours required to complete a task, the complexity of the work to be performed, the availability and cost of materials, and performance by our subcontractors. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. We have accounting policies in place to address these as well as other contractual and business arrangements to properly account for long-term contracts. If our estimate of total contract costs or our determination of whether the customer agrees that a milestone is achieved is incorrect, our revenue could be overstated and profits would be negatively impacted.

Bad Debt

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. This estimate is based on an analysis of specific customer creditworthiness and historical bad debts experience. If the financial condition of our customers were to deteriorate, resulting in their inability to make future payments, additional allowances may be required.

Inventory

We provide a reserve for estimated obsolete or unmarketable inventory based on assumptions about future demand and market conditions and our production plans. Inventories that are obsolete or slow moving are generally fully reserved (representing the estimated net realizable value) as such information becomes available. Our display products are manufactured based upon production plans whose critical assumptions include non-binding demand forecasts provided by our customers, lead times for raw materials, lead times for wafer foundries to perform circuit processing and yields. If a customer were to cancel an order or actual demand was lower than forecasted demand, we may not be able to sell the excess display inventory and additional reserves would be required. If we were unable to sell the excess inventory, we would establish reserves to reduce the inventory to its estimated realizable value (generally zero).

Investment Valuation

At December 29, 2012 we held minority investments in Advance Wireless Semiconductor Company (AWSC) and WIN Semiconductor Corp. (WIN), publicly traded companies on the Taiwan stock exchange whose share prices have been, and may continue to be, highly volatile. We consider these investments to be “available for sale” and accordingly account for fluctuations in the value of these investments in accumulated other comprehensive income. The fair market values of AWSC and WIN were $1.8 million and $1.4 million, respectively, at December 29, 2012.

We periodically make equity investments in private companies, accounted for on the cost or equity method, whose values are difficult to determine. When assessing investments in private companies for an other-than-temporary decline in value, we consider such factors as, among other things, the share price from the investee's latest financing round, the performance of the investee in relation to its own operating targets and its business plan, the investee's revenue and cost trends, the liquidity and cash position, including its cash burn rate and market acceptance of the investee's products and services. Because these are private companies which we do not control we may not be able to obtain all of the information we would want in order to make a complete assessment of the investment on a timely basis. Accordingly, our estimates may be revised if other information becomes available at a later date.

In addition to the above we make investments in government and agency-backed securities and corporate debt securities. For all of our investments we provide for an impairment valuation if we believe a decline in the value of an investment is other-than-temporary, which may have an adverse impact on our results of operations. The determination of whether a decline in value is other-than-temporary requires that we estimate the cash flows we expect to receive from the security. We use publicly available information such as credit ratings and financial information of the entity that issued the security in the development of our expectation of the cash flows to be received. Historically, we have periodically recorded other than temporary impairment losses.

Product Warranty

We generally sell products with a limited warranty of product quality and a limited indemnification of customers against intellectual property infringement claims related to our products. We accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated. As of December 29, 2012, we had a warranty reserve of $0.7 million, which represents the estimated liabilities for warranty claims in process, potential warranty issues customers have notified us about and an estimate based on historical failure rates. For the fiscal years 2012, 2011 and 2010, our warranty claims and reversals were approximately $2.2 million, $1.4 million and $0.8 million, respectively. If our estimates for warranty claims are incorrect, our profits would be impacted.

Income Taxes

We have historically incurred domestic operating losses from both a financial reporting and tax return standpoint. We establish valuation allowances if it appears more likely than not that our deferred tax assets will not be realized. These judgments are based on our projections of taxable income and the amount and timing of our tax operating loss carryforwards and other deferred tax assets. Given our federal operating tax loss carryforwards, we do not expect to pay domestic federal taxes in the near term. It is possible that we could pay domestic alternative minimum taxes and state income taxes. We are also subject to foreign taxes from our Korean, Taiwan and U.K. subsidiary operations.

Our income tax provision is based on calculations and assumptions that will be subject to examination by tax authorities. Despite our history of operating losses there can be exposures for state taxes, federal alternative minimum taxes or foreign tax that may be due. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. Should the actual results differ from our estimates, we would have to adjust the income tax provision in the period in which the facts that give rise to the revision become known. Such adjustment could have a material impact on our results of operations. We have historically established valuation allowances against all of our net deferred tax assets because of our history of generating operating losses and restrictions on the use of certain items. Our evaluation of the recoverability of deferred tax assets has also included analysis of the expiration dates of net operating loss carryforwards. In forming our conclusions as to whether the deferred tax assets are more likely than not to be realized we consider the sources of our income and the projected stability of those sources and product life cycles. Over the last three fiscal years a significant component of our income has been derived from sales of higher margin military products to the U.S. government. If , as expected, the U.S. government significantly reduces funding for these programs our results of operations will be adversely affected. In assessing our ability to realize our domestic deferred tax assets in the future, we consider the potential impact of the U.S. government's federal budget deficit on both the U.S. military programs in which we currently participate and those programs in which we anticipate participating in the future. A similar analysis is performed with respect to our foreign subsidiaries.

Stock Compensation

There were no stock options granted in fiscal years 2012, 2011 or 2010. The fair value of nonvested restricted common stock awards is generally the market value of the Company's equity shares on the date of grant. The nonvested common stock awards require the employee to fulfill certain obligations, including remaining employed by the Company for one, two or four years (the vesting period) and in certain cases meeting performance criteria. The performance criteria primarily consist of the achievement of the Company's annual incentive plan goals. For nonvested restricted common stock awards which solely require the recipient to remain employed with the Company, the stock compensation expense is amortized over the anticipated service period. For nonvested restricted common stock awards which require the achievement of performance criteria, the Company reviews the probability of achieving the performance goals on a periodic basis. If the Company determines that it is probable that the performance criteria will be achieved, the amount of compensation cost derived for the performance goal is amortized over the service period. If the performance criteria are not met, no compensation cost is recognized and any previously recognized compensation cost is reversed. The Company recognizes compensation costs on a straight-line basis over the requisite service period for time vested awards.

We have an award to the CEO which vests upon our stock price achieving a certain price for 10 consecutive business days. The compensation expense associated with this award was recognized over the derived service period.

Results of Operations

On January 16, 2013 (the Closing Date), we completed the sale of our III-V product line, including all of the outstanding equity interest in KTC Wireless, LLC, a wholly-owned subsidiary of the Company that held our investment in Kopin Taiwan Corporation (KTC), to IQE KC, LLC (IQE) and IQE plc (Parent, and collectively with IQE, the Buyer). Our III-V products primarily consisted of our Gallium Arsenide-based HBT transistor wafers and we referred to them as our “III-V” products because we used elements categorized on the III and V columns of the periodic table of elements to manufacture such products. The aggregate purchase price was approximately $75 million, subject to certain adjustments, including working capital adjustments and escrow. Of the total consideration, $55 million was paid to us as of the Closing Date and $5 million was placed in escrow pending a final determination of adjustments and working capital as of the Closing Date. The remaining $15 million will be paid to us on the third anniversary of the Closing Date. For the years ended December 29, 2012, December 31, 2011 and December 25, 2010 our III-V revenues were $58.8 million, $66.5 million and $62.2 million, respectively.

We are a leading developer and manufacturer of miniature displays and in 2012 increased our software development capabilities with investments in two companies. We use our proprietary semiconductor material technology to design, manufacture and market our display products for use in highly demanding high-resolution portable military, industrial and consumer electronic applications, training and simulation equipment and 3D metrology equipment. Our products enable our customers to develop and market an improved generation of products for these target applications.

We have two principal sources of revenues: product revenues and research and development revenues. Research and development revenues consist primarily of development contracts with agencies or prime contractors of the U.S. government. Research and development revenues were $3.3 million, or 9.6% of total 2012 revenues, $5.1 million, or 7.9% of total 2011 revenues and $3.2 million, or 5.5% of total 2010 revenues.

We manufacture transmissive microdisplays and reflective displays. In fiscal year 2012 the initial manufacturing steps for our commercial transmissive display were performed in our Westborough, Massachusetts, U.S.A. facility and then the back end packaging steps for our commercial transmissive display products were performed at our Korean subsidiary, Kowon. If the transmissive display was for a U.S. military application the entire display manufacturing process was performed in our Westborough, Massachusetts facility. Commencing in 2013 both commercial and military transmissive display production will be performed entirely in our Westborough, Massachusetts facility. Forth Dimension Displays (FDD), our wholly-owned subsidiary, manufactures our reflective microdisplays in its facility located in Scotland and it is a reportable segment.

Because our fiscal year ends on the last Saturday of December every seven years we have a fiscal year with 53 weeks. Our fiscal year 2012 was a 52 week year as compared to fiscal years 2011 which was 53 weeks and 2010 which was 52 weeks.

Fiscal Year 2012 Compared to Fiscal Year 2011

Revenues. Our revenues, which include product sales and amounts earned from research and development contracts, for fiscal years 2012 and 2011, by category, were as follows:

Display Revenues by Category (in millions)	2012	2011
Military Applications	$19.6	$38.9
Consumer Electronic Applications and other	8.6	16.5
Eyewear Applications	3.0	4.0
Research & Development	3.4	5.2
Total	$34.6	$64.6

Sales of our products for military applications declined in 2012 because of reduced demand from the U.S. government. Based on recently proposed federal budgets and discussions with our customers, we expect our revenues from sales of defense related products to the U.S. government to decline approximately $8 million to $10 million in our 2013 fiscal year. Our military products have higher profit margins than our other display products and have been a significant contributor to our overall profitability for the past several years. The U.S. government is projected to incur large budget deficits for the near future and is expected to reduce spending on military programs as part of the solution to decrease these deficits.

The decrease in the Consumer Electronic Applications and other category is the result of a decrease in sales of our products for digital still cameras. Our ability to forecast our revenues in this category is very difficult as sales of our product ultimately depend on how successful our customers are in promoting their digital still camera models. There are many digital still camera models offered by a number of large consumer electronics companies and it is a very competitive product category. In addition we typically rebid to win this business each year. The decrease in Research and Development revenues is the result of a decrease in funding from the U.S. government. We are unable to predict the amount of funding for research and development by the U.S. government as it addresses its fiscal deficit issues.

In 2011, we began offering a headworn, voice and gesture controlled, hands-free cloud computing reference design that has an optical pod with a microdisplay which we refer to as Golden-i technology. Our plan is to license the Golden-i technology and sell the optical pod as a group or individually. The Golden-i technology encompasses a number of different technologies including but not limited to voice and gesture control, noise cancellation, and web browsing. Some of the technologies included in Golden-i we license from other companies. Customers may license only a subset of these technologies depending on whether they wish to develop a military, industrial or consumer product. We have entered into an agreement to license the Golden-i technology and know-how to a company that is developing an industrialized product which they announced in 2012 and anticipate offering in 2013. The license is exclusive for the industrial market; non-exclusive for certain other markets and prohibits sales to other markets. Under the terms of the license we will sell an optical pod which includes our display, optics and a back light. Sales of Golden-i technology enabled products in 2012 and 2011 were de minimis and were primarily to demonstrate the product concept. We do believe in successive years our ability to develop and expand the Golden-i technologies and to market and license the Golden-i technology will be important for our revenue growth and ability to achieve profitability. This is the first product that we have developed that has a significant software component. The markets the Golden-i technology can be used in already have a number of existing product offerings such as ruggedized lap-top computers and tablets. The companies that offer these products are significantly larger than we are. We expect to incur significant development and marketing costs in 2013 to commercialize the Golden-i technologies. We currently expect revenue of between $18 million and $22 million for fiscal year 2013, however our ability to forecast revenues derived from Golden-i technology which may significantly impact our results of operations is very limited.

We currently expect to have a consolidated net loss in the range of $15 million to $19 million in 2013, excluding the gain, if any, resulting from the sale of our III-V product line which has been classified as a discontinued operation. We have provided estimated 2013 revenue and net loss ranges in order for the investor to understand the impact of both the sale of our III-V product line and expected changes in our remaining business in 2013 as compared to 2012. However, we believe we have an opportunity to position ourselves in the growing wearable cloud computing market and therefore our primary focus in 2013 is on developing technology and products and establish relationships and not necessarily by achieving revenue, net loss or any other particular financial metric. Accordingly our 2013 net losses may exceed or current estimates.

There are a number of different display technologies which can produce displays in small form factors. We believe one of the benefits of our display technology is the ability to produce high-resolution displays in small form factors. The digital still camera market is mature and the majority of these devices use low-resolution display products which results in our having limited, if any, competitive advantage over our competitors and, therefore, the ability to sell displays into these markets is very price dependent. Accordingly, for us to maintain or increase display revenues with above average gross margins, we will need to increase sales to customers who buy our higher resolution display products, such as the military, or develop new categories, such as our Golden-i product.

International sales represented 27% and 24% of product revenues for fiscal years 2012 and 2011, respectively. Our international sales are primarily denominated in U.S. currency. Consequently, a strengthening of the U.S. dollar could increase the price in local currencies of our products in foreign markets and make our products relatively more expensive than competitors' products that are denominated in local currencies, leading to a reduction in sales or profitability in those foreign markets. In addition, our Korean subsidiary, Kowon, holds U.S. dollars in order to pay various expenses. As a result, our financial position and results of operations are subject to exchange rate fluctuation in transactional and functional currency. We have not taken any protective measures against exchange rate fluctuations, such as purchasing hedging instruments with respect to such fluctuations, because of the historically stable exchange rate between the Japanese yen, Korean won and the U.S. dollar.

Cost of Product Revenues.

	2012		2011	
Cost of product revenues (in millions)	$22.0		$34.7	
Cost of product revenues as a % of revenues	70.3	%	58.2	%

Cost of product revenues, which is comprised of materials, labor and manufacturing overhead related to the production of our products increased as a percentage of revenues in 2012 as compared to 2011 due to a decrease in the sale of our display products for military applications, normal price declines and lower unit sales of our display products. Military products historically have higher gross margins than commercial products.

Research and Development. Research and development (R&D) expenses are incurred in support of internal display development programs or programs funded by agencies or prime contractors of the U.S. government and commercial partners. In fiscal year 2013 our R&D expenditures will be related to our display products and Golden-i technologies. R&D revenues associated with funded programs are presented separately in revenue in the statement of operations. Research and development costs include staffing, purchases of materials and laboratory supplies, circuit design costs, fabrication and packaging of display products, and overhead. For fiscal years 2012 and 2011 R&D expense was as follows (in millions):

Research and development expense	2012	2011
Funded	$2.2	$3.3
Internal	12.1	13.2
Total	$14.3	$16.5

R&D expense decreased in 2012 as compared to the prior year primarily because of decreases in government funded display activities and costs to develop display products partially offset by an increase in costs to develop the Golden-i technologies.

Selling, General and Administrative. Selling, general and administrative (S,G&A) expenses consist of the expenses incurred by our sales and marketing personnel and related expenses, and administrative and general corporate expenses.

	2012	2011

Selling, general and administrative expense (in millions)	$17.2	$16.0
Selling, general and administrative expense as a % of revenues	49.6 %	24.7 %

The increase in S,G&A expenses in 2012 as compared to 2011 is primarily attributable to additional stock compensation expense.

8

Impairment. On January 11, 2011, we purchased 100% of the outstanding common stock of FDD for approximately $11.0 million plus contingent consideration. In accounting for the acquisition of FDD, we allocated $4.3 million to identifiable intangible assets and $4.6 million to goodwill. The allocations were based on estimated cash flows as of the acquisition date. During fiscal year 2011 the actual operating results and cash flows generated by FDD were less than originally forecasted and at year end, using revised forecasts, we performed our annual review of intangible assets and goodwill. As a result of this review we recorded a non-cash charge of $5.0 million to write down the carrying value of the intangible assets and the goodwill to its implied fair market value based on projected discounted cash flows. The impairment of goodwill represented a 64% decrease in its recorded value. As of June 30, 2012, we performed an interim impairment analysis of our finite-lived intangible assets and goodwill balance related to FDD, as FDD's actual results were less than originally forecast for the six-month period then ended. We performed our analysis of our finite-lived intangible assets based on a comparison of the undiscounted cash flows to the recorded carrying value of the intangible assets. As a result, there was no change in the carrying values of the finite-lived intangible assets, however, we recorded a non-cash charge of $1.7 million to write down the remaining carrying value of the goodwill to zero. No additional impairments were taken in 2012. FDD produces a very high resolution micro display for niche markets. The majority of its current and forecasted revenues are derived from a small group of customers (less than 10). In addition approximately 50% of FDD's forecasted sales over the next 10 years are dependent on relatively new customers. If FDD loses any of its significant customers, or the products which it is projecting to provide significant revenue in the future fail to meet expectations and are not complemented by other revenue sources, additional impairment charges may be necessary. The below table reports the activity during the year ended December 29, 2012.

(in millions)	Intangible Assets	Goodwill
Assets acquired with acquisition of FDD at January 11, 2011	$4.6	$4.6
Amortization	(0.7)	—
Impairment	(2.0)	(2.9)
As of December 31, 2011	$1.9	$1.7
Amortization	(0.3)	—
Impairment of goodwill	—	(1.7)
Foreign currency translation	0.1	—
As of December 29, 2012	$1.7	$—

Other Income and Expense.

(in millions)	2012	2011
Interest income	$1.1	$1.3
Other income and expense, net	0.2	0.1
Foreign currency transaction losses	(1.0)	—
Other-than-temporary impairment of marketable debt securities	—	(0.2)
Subtotal	0.3	1.2
Gain on sales of investments	0.9	0.4
Loss on investment in Ikanos	(0.6)	
Gain on sales of patents	—	0.2
Other income and expense	$0.6	$1.8

Other income and expense, net, as shown above, is composed of interest income, foreign currency transactions and remeasurement gains and losses incurred by our Korean and United Kingdom subsidiaries, other-than-temporary impairment on marketable debt securities, gains on sales of investments and license fees. For 2012, we recorded $1.0 million of foreign currency losses as compared to $0 foreign currency gains for 2011. This was primarily attributable to increased fluctuations in the U.S. dollar and Korean won currency exchange rate. Other income and expense, net for

2011 also includes expense of $0.2 million to record an impairment of certain marketable debt securities which were deemed other-than-temporarily impaired.

As our marketable debt securities have matured we have been reinvesting in securities which, due to current interest rates, have lower yields than the securities which matured. Accordingly we anticipate that our interest income will decline in 2013.

We have entered into agreements to sell certain patents which we were not using. The total consideration the Company receives for the sale of the patents is a percentage of any sublicense fees, after expenses, the buyer receives. Under the agreements, in 2011 we sold patents that had a carrying value of $0 for $0.2 million. There is no additional consideration to be received for the patents sold. We continue to evaluate the patents in our portfolio for opportunities to monetize these assets.

Equity losses in unconsolidated affiliates. Our equity losses in unconsolidated affiliates in 2012 consists of our approximate 12% share of the losses of KoBrite totaling $0.6 million, and our 25% share of the losses of Ikanos totaling $0.1 million. In July of 2012 we increased our investment in Ikanos to 51% and commenced consolidating Ikanos's results of operations into or results of operations. Our equity losses in unconsolidated affiliates in 2011 consist of our approximate 12% share of the losses of KoBrite totaling $0.3 million.

Tax provision. The provision for income taxes for the fiscal year ended 2012 of $1.1 million represents withholding taxes related to closing our Korean facilities. For 2013 we expect to have taxes based on U.S. federal tax liabilities on federal alternative minimum tax rules and on our foreign operations. We also expect to have a state tax provision in 2013.

Net (income) loss attributable to noncontrolling interest. During the three month period ended March 31, 2012 we acquired a 25% interest in Ikanos, for $0.7 million and in the three month period ended September 29, 2012, we purchased from Ikanos an additional 70,748 newly issued shares of its common stock for approximately $2.5 million. As a result of these transactions we own approximately 51% of the outstanding common stock of Ikanos. The remaining 49% is held by other investors and employees of Ikanos.

We also own approximately 78% of the equity of Kowon as of December 29, 2012. Net loss (income) attributable to the noncontrolling interest on the consolidated statement of operations represents the portion of the results of operations of Kowon and Ikanos which are allocated to the shareholders of the approximately 22% of Kowon and 49% of Ikanos not owned by us. The change in the net (income) loss attributable to the noncontrolling interest of our subsidiaries is as follows (in millions):

	2012	2011
Kowon	$0.3	$—
Ikanos	0.7	—
Total	$1.0	$—

Fiscal Year 2011 Compared to Fiscal Year 2010

Revenues. Our revenues, which include product sales and amounts earned from research and development contracts, for fiscal years 2011 and 2010, by category, were as follows (in millions):

Display Revenues by Category (in millions)	2011	2010
Military Applications	$38.9	$40.0
Consumer Electronic Applications	16.5	10.9
Eyewear Applications	4.0	4.1
Research & Development	5.2	3.2
Total	$64.6	$58.2

Sales of our products for military applications declined in 2011 because of reduced demand from the U.S. government. Our military products have higher profit margins than our other display products and have been a significant contributor to our overall profitability for the pasts several years. The U.S. government is projected to incur large budget deficits for the near future and is expected to reduce spending on military programs as part of the solution to decrease these deficits. In addition an anticipated overall decline in military spending our military revenues may also decline because of a change in the U.S. government procurement process. We believe the U.S. military will evaluate competitors' products for the next thermal weapon sight program. This could result in our receiving a lower percentage of these total programs than we have historically and while we do not believe it is probable, it is possible we may not receive any award.

The increase in the Consumer Electronic Applications category is the result of an increase in sales of our products for digital still cameras. Our ability to forecast our revenues in this category is very difficult as sales of our product ultimately depend on how successful our customers are in promoting their digital still cameras models. There are many digital still camera models offered by a number of large consumer electronics companies and it is a very competitive product category. In addition we typically rebid to win this business each year. The customers for our eyewear products tend to be smaller companies and the economic down turn during the recent years has affected their ability to obtain credit with which to purchase our products. The increase in Research and Development revenues is the result of an increase in funding from the U.S. government. We are unable to predict the amount of funding for research and development by the U.S. government as it addresses its fiscal deficit issues.

In 2011, we began offering a headworn, hands-free cloud computing product that has an optical pod with a microdisplay which we refer to as Golden-i. Sales of Golden-i in 2011 were de minimis and were primarily to demonstrate the product concept. We have entered into an agreement to license the Golden-i technology and know-how to a company that is developing an industrialized product which they announced in 2012 and anticipate offering in 2013. The license is exclusive for the industrial market; non-exclusive for certain other markets and prohibits sales to other markets. Under the terms of the license we will sell an optical pod which includes our display, optics and a back light. We do not believe revenue will be significant in 2012 from sales of these products but we do believe in successive years products such as this will be important for our revenue growth and ability to maintain profitability. This is the first product that we have developed that has a significant software component.

There are a number of different display technologies which can produce displays in small form factors. We believe one of the benefits of our display technology is the ability to produce high-resolution displays in small form factors. The digital still camera market is mature and the majority of these devices use low-resolution display products which results in our having limited, if any, competitive advantage over our competitors and, therefore, the ability to sell displays into these markets is very price dependent. Accordingly for us to maintain or increase display revenues with above average gross margins, we will need to increase sales to customers who buy our higher resolution display products, such as the military, or develop new categories, such as our Golden-i product.

International sales represented 24% and 22% of product revenues for fiscal years 2011 and 2010, respectively. The increase in international sales is primarily attributable to an increase in sales of our CyberDisplay products for digital still cameras. Our international sales are primarily denominated in U.S. currency. Consequently, a strengthening of the U.S. dollar could increase the price in local currencies of our products in foreign markets and make our products relatively more expensive than competitors' products that are denominated in local currencies, leading to a reduction in sales or profitability in those foreign markets. In addition, sales of our CyberDisplay products in Korea are transacted through our Korean subsidiary, Kowon Technology Co., LTD. Kowon's sales are primarily denominated in U.S. dollars. However, Kowon's local operating costs are primarily denominated in Korean won. Kowon also holds U.S. dollars in order to pay various expenses. As a result, our financial position and results of operations are subject to exchange rate fluctuation in transactional and functional currency. We have not taken any protective measures against exchange rate fluctuations, such as purchasing hedging instruments with respect to such fluctuations, because of the historically stable exchange rate between the Japanese yen, Korean won and the U.S. dollar.

Cost of Product Revenues.

	2011		2010	
Cost of product revenues (in millions)	$34.7		$35.6	
Cost of product revenues as a % of revenues	58.2	%	64.8	%

Cost of product revenues, which is comprised of materials, labor and manufacturing overhead related to the production of our products remained relatively consistent from 2010 to 2011 as a percentage of revenues. Our gross margin is affected by increases or decreases in the sales prices of our products, changes in raw material prices, unit volume of sales, manufacturing efficiencies and the mix of products sold. As discussed above our sales prices historically decline on an annual basis. Our overhead costs and, to a lesser extent, our labor costs are normally stable and do not fluctuate significantly during any twelve month period. We consider labor and overhead costs to be fixed in nature over the short term and therefore profitability is very dependent on the sales prices of our products and the volume of sales. Gross margins, as a percentage of sales, increased from 2010 to 2011 because of the increase in sales in 2011 by FDD, which has a higher gross margin as a percentage than our 2010 consolidated gross margin percentage.

Research and Development. Research and development (R&D) expenses are incurred in support of internal display and III-V product development programs or programs funded by agencies or prime contractors of the U.S. government and commercial partners. R&D revenues associated with funded programs are presented separately in revenue in the statement of operations. Research and development costs include staffing, purchases of materials and laboratory supplies, circuit design costs, fabrication and packaging of display products, and overhead. For fiscal years 2011 and 2010 R&D expense was as follows (in millions):

Research and development expense	2011	2010

Funded	$3.3	$2.2
Internal	13.2	11.0
Total	$16.5	$13.2

R&D expense increased in 2011 as compared to the prior year primarily because of increases in cost to develop a new head-worn hands-free cloud computing display product.

Selling, General and Administrative. Selling, general and administrative (S,G&A) expenses consist of the expenses incurred by our sales and marketing personnel and related expenses, and administrative and general corporate expenses.

	2011	2010
Selling, general and administrative expense (in millions)	$16.0	$12.3
Selling, general and administrative expense as a % of revenues	24.7 %	21.2 %

The increase in S,G&A expenses in 2011 as compared to 2010 is primarily attributable to the addition of FDD in 2011 and a $1.4 million credit in 2010 due to the receipt of insurance proceeds. We acquired FDD in January of 2011 and its S,G,&A expense for 2011 was $2.6 million.

The Compensation Committee of the Company approved the following issuances of restricted stock:

Date of Issuance	Number of Shares Issued
September 2011	919,000
February 2011	905,793
April 2010	465,500
December 2009	778,213
April 2009	676,726

We issue restricted stock awards to either current employees as part of our annual incentive plan (incentive equity awards) or to current or prospective employees to remain with us or join us for at least a certain period of time (retention equity awards). The number of shares of our common stock that an employee will ultimately receive and the compensation expense that we will ultimately recognize under an incentive equity award is based on achieving certain financial milestones and or remaining with the Company for a specific period of time. In the case of retention equity awards, shares earned are solely a function of time employed. We filed a proxy statement on March 23, 2011 describing our 2010 Equity Incentive Plan, and we have also filed on behalf of certain officers and directors Form 4s with the Securities and Exchange Commission which detail the conditions under which our officers can earn the restricted stock awards. The 2011 proxy statement and Form 4s are available on our website www.kopin.com. In addition, as part of our Board of Director compensation in fiscal years 2011 and 2010, we issued a total of 60,000 shares of restricted stock each year to our board members representing annual grants for fiscal years 2011 and 2010. The equity awards to the Board of Directors vest 25% per year over the four years following the grant.

In connection with the issuance of the awards above, we recorded stock compensation expenses of $3.9 million and $2.6 million for fiscal years 2011 and 2010, respectively.

Impairment. On January 11, 2011, we purchased 100% of the outstanding common stock of FDD for approximately $11.0 million plus contingent consideration. In accounting for the acquisition of FDD, we allocated $4.3 million to identifiable intangible assets and $4.6 million to goodwill. The allocations were based on estimated cash flows as of the acquisition date. Subsequent to the acquisition date and during fiscal 2011 the actual operating results and cash flows generated by FDD were less than originally forecasted and at year end using revised forecasts we performed our annual review of intangible assets and goodwill. As a result of this review we recorded a non-cash charge of $5.0 million to write down the carrying value of the intangible assets and the goodwill to its implied fair market value based on projected discounted cash flows. The impairment of goodwill represented a 64% decrease in its recorded value. FDD produces a very high resolution micro display for niche markets. The majority of its current and forecasted revenues are derived from a small group of customers (less than 10). In addition approximately 50% of FDD's forecasted sales over the next 10 years are dependent on relatively new customers. If FDD loses any of its significant customers, or the products which it is projecting to provide significant revenue in the future fail to meet expectations and are not complemented by other revenue sources, additional impairment charges may be necessary.

The below table reports the activity during the year ended December 31, 2011.

(in millions)	Intangible Assets	Goodwill
Assets acquired with acquisition of FDD at Jan. 11, 2011	$4.6	$4.6
Amortization	(0.7)	—
Impairment	(2.0)	(2.9)
Foreign currency translation	—	—
As of December 31, 2011	$1.9	$1.7

Other Income and Expense.

(in millions)	2011	2010
Interest income	$1.3	$2.0
Other income and expense, net	0.1	—
Foreign currency transaction losses	—	(0.3)
Other-than-temporary Impairment of marketable debt securities	(0.2)	—
Subtotal	1.2	1.7
Gain on sales of investments	0.4	2.6
Gain on sales of patents	0.2	0.7
Other income and expense	$1.8	$5.0

Other income and expense, net, as shown above, is composed of interest income, foreign currency transactions and remeasurement gains and losses incurred by our Korean and United Kingdom subsidiaries, other-than-temporary impairment on marketable debt securities, gains on sales of investments and license fees. For 2011, we recorded $0 of foreign currency losses as compared to $0.3 million of foreign currency losses for 2010. This was primarily attributable to decreased fluctuations in the U.S. dollar and Korean won currency exchange rate. Other income and expense, net for 2011 also includes expense of $0.2 million to record an impairment of certain marketable debt securities which were deemed other-than-temporarily impaired.

As our marketable debt securities have matured we have been reinvesting in securities which, due to current interest rates, have lower yields than the securities which matured.

We have entered into agreements to sell certain patents which we were not using and that had a carrying value of $0. The total consideration we receive for the sale of the patents is a percentage of any sublicense fees, after expenses, the buyer receives. In 2011 and 2010 we sold certain additional patents we were no longer using for $0.2 million and $0.8 million, respectively. There is no additional consideration to be received for the patents sold. We continue to evaluate the patents in our portfolio for opportunities to monetize these assets.

Equity losses in unconsolidated affiliates. Our equity losses in unconsolidated affiliates consists of our approximate 12% share of the losses of KoBrite totaling $0.3 million in 2011 and our approximate 19% share of the losses of KoBrite totaling $0.6 million in 2010.

Tax provision. The provision for income taxes for the fiscal year ended 2010 represents alternative minimum taxes owed to U.S. federal and state taxing authorities of $0.1 million.

Net (income) loss attributable to noncontrolling interest. We own approximately 78% of the equity of Kowon as of December 31, 2011. Net income attributable to the noncontrolling interest on the consolidated statement of operations represents the portion of the results of operations of Kowon which is allocated to the shareholders of the approximately 22% of Kowon not owned by us.

Liquidity and Capital Resources

As of December 29, 2012, we had cash and equivalents and marketable debt securities of $92.5 million and working capital of $106.8 million compared to $105.4 million and $123.3 million, respectively, as of December 31, 2011. The decrease in cash and equivalents and marketable securities was primarily due to cash provided by operating activities of approximately

13

$3.8 million and proceeds from sales of investments of $0.9 million, which were offset by capital expenditures of $9.8 million, the acquisition of certain cost based investments for $2.2 million, repurchase of our common stock for $3.5 million and the net purchase of marketable debt securities and other assets of $2.5 million.

As of December 31, 2011, we had cash and equivalents and marketable debt securities of $105.4 million and working capital of $123.3 million compared to $111.0 million and $132.1 million, respectively, as of December 25, 2010. The decrease in cash and equivalents and marketable securities was primarily due to cash provided by operating activities of approximately $19.3 million and proceeds from sales of investments of $0.4 million, which were offset by capital expenditures of $7.3 million, the acquisition of FDD for $10.0 million, net of cash acquired, repurchase of our common stock for $4.4 million and the net purchase of marketable debt securities and other assets of $3.6 million.

Cash and marketable debt securities held in U.S. dollars at December 29, 2012 were:

Domestic	$77,345,784
Foreign	10,099,661
Subtotal cash and marketable debt securities	87,445,445
Cash and marketable debt securities held in other currencies and converted to U.S. dollars	5,039,904
Total cash and marketable debt securities	$92,485,349

We have no plans to repatriate the cash and marketable debt securities held in our foreign subsidiaries FDD and Ikanos and as such we have not recorded any deferred tax liability. In 2013, we expect the operations at our Korean facility, Kowon, to cease. Kowon has approximately $14.2 million of cash and marketable debt securities which we anticipate will eventually be remitted to the U.S. and accordingly we have recorded deferred tax liabilities associated with its unremitted earnings.

We have entered into a product development agreement under which we have agreed to fund up to a remaining $1.6 million of development expenses if certain milestones are achieved. As of December 29, 2012 the Company has paid $2.4 million under this agreement.

Included in the $1.2 million of Billings in excess of revenue earned on the consolidated balance sheet at December 29, 2012 is approximately $0.8 million which we received from the state of Massachusetts as an incentive to retain jobs in Massachusetts. We earn amounts under the agreement by meeting certain employment milestones each year and amounts not earned will be repaid to the state of Massachusetts at the end of the agreement in 2017. The agreement also contains repayment provisions which require us to repay certain amounts back to the state of Massachusetts if we fail to achieve certain employment milestones after years three and five of the agreement, or if we move certain parts of our operations out of the state. As a result of the sale of our III-V product line we do not anticipate earning any more amounts under the state grant agreement and we anticipate repaying the remaining amount to the state in 2013. During the year ended December 29, 2012 we repaid $1.1 million related to this state grant.

We lease facilities located in Westborough, Massachusetts, and Scotts Valley, California, under non-cancelable operating leases. The Westborough lease expires in 2023 and the Scotts Valley lease expires in 2013.

We lease a facility in Dalgety Bay, Scotland which expires in April 2013, and also lease two facilities in Nottingham, United Kingdom, which expire in 2016 and 2017.

We expect to expend between $2.0 and $3.0 million on capital expenditures over the next twelve months, primarily related to infrastructure changes resulting from the sale of our III-V product line and for the acquisition of equipment to support some of our cost based investments.

As of December 29, 2012, we had substantial tax loss carry-forwards, which may be used to offset future federal taxes due. We may record a tax provision in our financial statements but we may be able to offset some or all of the amounts that are payable with our tax loss carry-forwards. We may be subject to alternative minimum taxes, foreign taxes and state income taxes depending on our taxable income and sources of taxable income.

Historically we have financed our operations primarily through public and private placements of our equity securities. Over the past several years we have generated sufficient cash from operations to fund the business. We believe our available cash resources, including the proceeds from the sale of our III-V product line, will support our operations and capital needs for at least the next twelve months.

Off-Balance Sheet Arrangements
We have no off-balance sheet arrangements.

Seasonality
Our revenues have not followed a seasonal pattern for the past two years and we do not anticipate any seasonal trend to our revenues in 2013.

Climate Change
We do not believe there is anything unique to our business which would result in climate change regulations having a disproportional effect on us as compared to U.S. industry overall.

Inflation
We do not believe our operations have been materially affected by inflation in the last three fiscal years.

Contractual Obligations
The following is a summary of our contractual payment obligations for operating leases as of December 29, 2012:

Contractual Obligations	Total	Less than 1 year	1-3 Years	3-5 years	More than 5 years
Operating Lease Obligations	$7,513,571	$ 971,826	$2,467,667	$1,944,745	$2,129,333

Exhibits		Sequential page number	
3.1	Amended and Restated Certificate of Incorporation	(2)	
3.2	Amendment to Certificate of Incorporation	(5)	
3.3	Amendment to Certificate of Incorporation	(5)	
3.4	Fourth Amended and Restated By-laws	(8)	
4	Specimen Certificate of Common Stock	(1)	
10.1	Form of Employee Agreement with Respect to Inventions and Proprietary Information	(1)	
10.2	Amended and Restated 1992 Stock Option Plan	(2)	*
10.3	1992 Stock Option Plan Amendment	(5)	*
10.4	1992 Stock Option Plan Amendment	(6)	*
10.5	Kopin Corporation 2001 Equity Incentive Plan	(7)	*
10.6	Kopin Corporation 2001 Equity Incentive Plan Amendment	(9)	*
10.7	Kopin Corporation 2001 Equity Incentive Plan Amendment	(10)	*
10.8	Kopin Corporation 2001 Equity Incentive Plan Amendment	(11)	*
10.9	Kopin Corporation 2001 Equity Incentive Plan Amendment	(13)	*
10.10	Kopin Corporation 2001 Supplemental Equity Incentive Plan	(6)	*
10.11	Form of Key Employee Stock Purchase Agreement	(1)	*
10.12	License Agreement by and between the Company and Massachusetts Institute of Technology dated April 22, 1985, as amended	(1)	
10.13	Facility Lease, by and between the Company and Massachusetts Technology Park Corporation, dated October 15, 1993	(3)	
10.14	Joint Venture Agreement, by and among the Company, Kowon Technology Co., Ltd., and Korean Investors, dated as of March 3, 1998	(4)	
10.15	Seventh Amended and Restated Employment Agreement between the Company and Dr. John C.C. Fan, dated as of December 8, 2010	(16)	
10.16	Kopin Corporation Form of Stock Option Agreement under 2001 and 2010 Equity Incentive Plans	(12)	*
10.17	Kopin Corporation 2001 and 2010 Equity Incentive Plan Form of Restricted Stock Purchase Agreement	(12)	*
10.18	Kopin Corporation Fiscal Year 2012 Incentive Bonus Plan		*
10.19	Kopin Corporation Stock Purchase Agreement of 19,572,468 shares of Kopin Taiwan Corporation, (KTC) common stock	(14)	
10.20	Kopin Corporation 2010 Equity Incentive Plan	(15)	
21.1	Subsidiaries of Kopin Corporation		
23.1	Consent of Independent Registered Public Accounting Firm		
31.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		
31.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		

Exhibits		Sequential page number
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
101		

The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text

*	Management contract or compensatory plan required to be filed as an Exhibit to this Form 10-K.
(1)	Filed as an exhibit to Registration Statement on Form S-1, File No. 33-45853, and incorporated herein by reference.
(2)	Filed as an exhibit to Registration Statement on Form S-1, File No. 33-57450, and incorporated herein by reference.
(3)	Filed as an exhibit to Annual Report on Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference.
(4)	Filed as an exhibit to Annual Report on Form 10-Q for the quarterly period ended June 27, 1998 and incorporated herein by reference.
(5)	Filed as an exhibit to Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2000 and incorporated herein by reference.
(6)	Filed as an exhibit to Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2000 and incorporated herein by reference.
(7)	Filed as an appendix to Proxy Statement filed on April 20, 2001 and incorporated herein by reference.
(8)	Filed as an exhibit to Current Report on Form 8-K filed on December 12, 2008 and incorporated herein by reference.
(9)	Filed as an exhibit to Current Report on Form 8-K filed on December 12, 2008 and incorporated herein by reference.
(10)	Filed as an exhibit to Registration Statement on Form S-8 filed on March 15, 2004 and incorporated herein by reference.
(11)	Filed as an exhibit to Registration Statement on Form S-8 filed on May 10, 2004 and incorporated herein by reference.
(12)	Filed as an exhibit to Annual Report on Form 10-K for the fiscal year ended December 25, 2004 and incorporated herein by reference.
(13)	Filed as an exhibit to Registration Statement on Form S-8 filed on April 15, 2008 and incorporated herein by reference.
(14)	Filed as an exhibit to Annual Report on Form 10-K for the fiscal year ended December 26, 2009 and incorporated by reference herein.
(15)	Filed as an exhibit to Annual Report on Form 10-K for the fiscal year ended December 26, 2009 and incorporated by reference herein.
(16)	Filed as an exhibit to Annual Report on Form 10-K for the fiscal year ended December 25, 2010 and incorporated by reference herein.

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, thereunto duly authorized.

March 22, 2013

KOPIN CORPORATION

By: /s/ Richard Sneider
Richard Sneider
Chief Executive Officer, President and Director