

Vuzix Corp
Form 10-Q
November 12, 2015

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 September 30, 2015

OR

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

Commission file number 001-35955

VUZIX CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware
State or other jurisdiction of
incorporation or organization**

**04-3392453
(I.R.S. Employer
Identification No.)**

25 Hendrix Road, Suite A

14586

West Henrietta, New York

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (585) 359-5900

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
(Do not check if a smaller reporting company) company

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

As of November 12, 2015, there were 16,059,434 shares of the registrant's common stock outstanding.

Vuzix Corporation

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Signatures

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Part 1: FINANCIAL INFORMATION**Item 1: Condensed Consolidated Financial Statements (Unaudited)****VUZIX CORPORATION****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 16,072,222	\$ 84,967
Accounts Receivable	664,567	383,533
Inventories, Net	1,761,907	911,949
Prepaid Manufacturing Vendor Payments	1,278,275	156,091
Prepaid Expenses and Other Assets	370,566	422,909
Total Current Assets	20,147,537	1,959,449
Tooling and Equipment, Net		
Patents and Trademarks, Net	804,937	416,965
Software Development Costs, Net	528,798	423,489
Debt Issuance Costs, Net	572,901	787,738
	77,781	112,521
Total Assets	\$ 22,131,954	\$ 3,700,162
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts Payable	\$ 397,927	\$ 2,183,565
Line of Credit	—	112,500
Notes Payable	—	37,038
Current Portion of Long-term Debt, Net of discount	73,985	128,425
Current Portion of Capital Leases	—	16,882
Customer Deposits	20,534	120,550
Unearned Revenue	74,031	53,403
Accrued Expenses	715,480	699,067

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Income and Other Taxes Payable	9,528	35,158
Total Current Liabilities	1,291,485	3,386,588
Long-Term Liabilities		
Long-Term Derivative Liability	110,788	13,541,138
Long-Term Portion of Term Debt, Net of discount	1,193,559	1,088,996
Long-Term Portion of Accrued Interest	149,309	81,451
Total Long-Term Liabilities	1,453,656	14,711,585
Total Liabilities	2,745,141	18,098,173
Stockholders' Equity (Deficit)		
Preferred Stock — \$.001 Par Value, 5,000,000 Shares Authorized; 49,626 Shares Issued and Outstanding September 30, 2015, and 0 Shares Outstanding on December 31, 2014	50	—
Common Stock — \$.001 Par Value, 100,000,000 Shares Authorized; 16,059,434 Shares Issued and Outstanding September 30, 2015 and 11,295,387 on December 31, 2014	16,058	11,296
Additional Paid-in Capital	73,450,245	29,752,083
Accumulated Deficit	(54,079,540)	(44,161,390)
Total Stockholders' Equity (Deficit)	19,386,813	(14,398,011)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 22,131,954	\$ 3,700,162

The accompanying notes are an integral part of these consolidated financial statements.

VUZIX CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the Nine Months Ended September 30, 2015

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Preferred Stock		Total
	Shares	Amount			Shares	Amount	
Balance — December 31, 2014	11,295,387	\$ 11,296	\$ 29,752,083	\$(44,161,390)	—	\$ —	\$(14,398,011)
Stock Compensation Expense			401,863				401,863
Conversion of Note Payable	210,000	210	472,290				472,500
Stock Issued for Services	113,337	113	638,151				638,264
Common Stock Awards to Officers, Directors and Law Firm	325,000	325	1,669,375				1,669,700
Warrants Issued for Services			260,373				260,373
Exercise of Warrants	4,107,254	4,106	1,258,520				1,262,626
Reclass Fair Value of Warrant Derivative Liability upon Exercise			2,855,463				2,855,463
Reclass Fair Value of Warrant Derivative Liability Upon Waiver of Certain Anti-Dilutive Provisions			8,736,412				8,736,412
Reclass Fair Value of Note Derivative Liability Upon Waiver of Certain Anti-Dilutive Provisions			2,806,942				2,806,942
Proceeds from Preferred Stock Offering			24,812,950		49,626	50	24,813,000
Direct costs of preferred stock Offering			(214,169)				(214,169)
Exercise of Stock Options	8,456	8	(8)				—
Net Loss for the Nine Months Ended September 30, 2015				(9,918,150)			(9,918,150)
Balance — September 30, 2015	16,059,434	\$ 16,058	\$ 73,450,245	\$(54,079,540)	49,626	\$ 50	\$ 19,386,813

The accompanying notes are an integral part of these consolidated financial statements.

VUZIX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For Three Months Ended September 30,		For Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales of Products	\$ 890,629	\$ 624,586	\$ 2,014,015	\$ 1,883,891
Sales of Engineering Services	79,750	40,000	193,331	302,371
Total Sales	970,379	664,586	2,207,346	2,186,262
Cost of Sales — Products	612,346	444,234	1,590,284	1,251,690
Cost of Sales — Engineering Services	31,900	16,000	77,332	121,032
Total Cost of Sales	644,246	460,234	1,667,616	1,372,722
Gross Profit	326,133	204,352	539,730	813,540
Operating Expenses:				
Research and Development	944,426	484,510	2,191,624	1,177,484
Selling and Marketing	469,443	336,099	1,172,252	957,422
General and Administrative	1,120,982	592,914	5,079,131	1,605,112
Depreciation and Amortization	88,285	59,680	226,472	260,823
(Loss) from Operations	(2,297,003)	(1,268,851)	(8,129,749)	(3,187,301)
Other Income (Expense)				
Interest Income	12,621	—	12,621	—
Other Taxes	(30,443)	(9,747)	(44,508)	(56,282)
Foreign Exchange Gain (Loss)				