UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 30, 2019

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

For the transition period from _____ to _____
Commission file number 0-19882

KOPIN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**04-2833935**
State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification No.)**
125 North Drive, Westborough, MA	**01581-3335**
(Address of principal executive offices)	**(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	KOPN	Nasdaq Global Market

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

Class	**Outstanding as of May 6, 2019**
Common Stock, par value $0.01	84,133,574

Kopin Corporation

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Part 1. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

KOPIN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 30, 2019	December 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 16,583,525**	$ 14,326,347
Marketable debt securities, at fair value	**20,288,917**	22,918,016
Accounts receivable, net of allowance of $551,000 in 2019 and $304,000 in 2018	**3,800,689**	3,088,360
Contract assets and unbilled receivables	**2,141,677**	3,089,663
Inventory	**4,174,350**	4,797,238
Prepaid taxes	**172,061**	399,611
Prepaid expenses and other current assets	**855,780**	784,790
Total current assets	**48,016,999**	49,404,025
Plant and equipment, net	**2,234,285**	2,598,842
Operating lease right-of-use assets	**3,496,947**	—
Goodwill	**331,344**	331,344
Other assets	**1,697,599**	1,649,401
Equity investments	**5,650,099**	5,565,499
Total assets	**$ 61,427,273**	$ 59,549,111
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 4,492,572**	$ 3,921,880
Accrued payroll and expenses	**2,117,370**	3,038,005
Accrued warranty	**584,000**	571,000
Contract liabilities and billings in excess of revenue earned	**1,189,772**	388,933
Operating lease liabilities	**1,002,309**	—
Other accrued liabilities	**3,006,409**	1,901,547
Deferred tax liabilities	**535,000**	546,000
Total current liabilities	**12,927,432**	10,367,365
Asset retirement obligations	**260,846**	254,098
Operating lease liabilities, net of current portion	**2,585,906**	—
Other long-term obligations	**1,044,147**	1,214,827
Stockholders' equity:		
Preferred stock, par value $.01 per share: authorized, 3,000 shares; none issued	**—**	—
Common stock, par value $.01 per share: authorized, 120,000,000 shares; issued 87,951,373 shares in 2019 and 80,735,320 shares in 2018; outstanding 81,287,243 shares in 2019 and 74,008,815 shares in 2018	**858,004**	785,220
Additional paid-in capital	**343,738,809**	335,692,879
Treasury stock (4,513,256 shares in 2019 and 2018, at cost)	**(17,238,669)**	(17,238,669)
Accumulated other comprehensive income	**1,651,904**	1,554,587
Accumulated deficit	**(284,263,070)**	(272,932,143)
Total Kopin Corporation stockholders' equity	**44,746,978**	47,861,874
Noncontrolling interest	**(138,036)**	(149,053)
Total stockholders' equity	**44,608,942**	47,712,821
Total liabilities and stockholders' equity	**$ 61,427,273**	$ 59,549,111

See notes to unaudited condensed consolidated financial statements

KOPIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended	
	March 30, 2019	March 31, 2018
Revenues:		
Net product revenues	**$ 4,613,856**	$ 5,044,809
Research and development and other revenues	**929,069**	608,811
	5,542,925	5,653,620
Expenses:		
Cost of product revenues	**5,877,077**	4,062,191
Research and development	**4,966,716**	4,451,653
Selling, general and administration	**6,282,803**	6,931,410
	17,126,596	15,445,254
Loss from operations	**(11,583,671)**	(9,791,634)
Other income:		
Interest income	**163,361**	159,851
Other (expense) income	**(109,735)**	1,101,255
Foreign currency transaction gains	**236,135**	208,608
Gain on investments	**—**	2,849,816
	289,761	4,319,530
Loss before provision for income taxes and net income attributable to noncontrolling interest	**(11,293,910)**	(5,472,104)
Provision for income taxes	**(26,000)**	—
Net loss	**(11,319,910)**	(5,472,104)
Net income attributable to noncontrolling interest	**(11,017)**	(64,174)
Net loss attributable to Kopin Corporation	**$ (11,330,927)**	$ (5,536,278)
Net loss per share		
Basic and diluted	**$ (0.15)**	$ (0.08)
Weighted average number of common shares outstanding		
Basic and diluted	**74,968,981**	73,078,344

See notes to unaudited condensed consolidated financial statements

KOPIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	Three months ended			
		March 30, 2019		March 31, 2018
Net loss	**$**	**(11,319,910)**	$	(5,472,104)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments		**(122,064)**		(124,480)
Unrealized holding gains (losses) on marketable securities		**222,000**		(136,874)
Reclassification of holding gains in net loss		**(2,619)**		(4,750)
Other comprehensive income (loss), net of tax		**97,317**		(266,104)
Comprehensive loss	**$**	**(11,222,593)**	$	(5,738,208)
Comprehensive income attributable to the noncontrolling interest		**(11,017)**		(67,933)
Comprehensive loss attributable to Kopin Corporation	**$**	**(11,233,610)**	$	(5,806,141)

See notes to unaudited condensed consolidated financial statements

KOPIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock								
	Shares	Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Kopin Corporation Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance, December 29, 2018	78,522,066	$ 785,220	$335,692,879	$(17,238,669)	$ 1,554,587	$(272,932,143)	$ 47,861,874	$ (149,053)	$ 47,712,821
Stock-based compensation	**—**	**—**	**815,842**	**—**	**—**	**—**	**815,842**	**—**	**815,842**
Vesting of restricted stock	**10,000**	**100**	**(100)**	**—**	**—**	**—**	**—**	**—**	**—**
Repurchases of restricted stock to satisfy tax withholding obligations	**(4,294)**	**(43)**	**(7,085)**				**(7,128)**	**—**	**(7,128)**
Other comprehensive loss	**—**	**—**	**—**	**—**	**97,317**	**—**	**97,317**	**—**	**97,317**
Sale of registered stock	**7,272,727**	**72,727**	**7,237,273**	**—**	**—**	**—**	**7,310,000**	**—**	**7,310,000**
Net (loss) income	**—**	**—**	**—**	**—**	**—**	**(11,330,927)**	**(11,330,927)**	**11,017**	**(11,319,910)**
Balance, March 30, 2019	**85,800,499**	**$ 858,004**	**$343,738,809**	**$(17,238,669)**	**$ 1,651,904**	**$(284,263,070)**	**$ 44,746,978**	**$ (138,036)**	**$ 44,608,942**

	Common Stock								
	Shares	Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Kopin Corporation Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance, December 30, 2017	77,572,038	$ 775,720	$331,119,340	$(17,238,669)	$ 3,564,779	$(240,121,901)	$ 78,099,269	$ (719,422)	$ 77,379,847
Stock-based compensation	—	—	1,399,415	—	—	—	1,399,415	—	1,399,415
Vesting of restricted stock	20,000	200	(200)	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(269,863)	—	(269,863)	3,759	(266,104)
Adoption of accounting standards	—	—	—	—	—	3,059,382	3,059,382	—	3,059,382
Net (loss) income	—	—	—	—	—	(5,536,278)	(5,536,278)	64,174	(5,472,104)
Balance, March 31, 2018	77,592,038	$ 775,920	$332,518,555	$(17,238,669)	$ 3,294,916	$(242,598,797)	$ 76,751,925	$ (651,489)	$ 76,100,436

See notes to unaudited condensed consolidated financial statements

KOPIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended	
	March 30, 2019	March 31, 2018
Cash flows used in operating activities:		
Net loss	**$ (11,319,910)**	$ (5,472,104)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**264,389**	554,967
Stock-based compensation	**815,842**	1,399,415
Foreign currency losses	**(233,180)**	(218,943)
Change in allowance for bad debt	**246,970**	(136,095)
Unrealized gain on investments	**—**	(2,849,816)
Loss on disposal of plant and equipment	**180,308**	—
Write-off of excess inventory	**1,253,988**	442,691
Other non-cash items	**32,732**	—
Changes in assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	**(953,353)**	1,461,884
Contract assets	**947,986**	1,124,634
Inventory	**(620,982)**	(198,961)
Prepaid expenses and other current assets	**221,926**	98,008
Accounts payable and accrued expenses	**393,941**	(2,644,054)
Billings in excess of revenue earned	**922,540**	379,330
Net cash used in operating activities	**(7,846,803)**	(6,059,044)
Cash flows provided by investing activities:		
Other assets	**(50,000)**	(87,632)
Capital expenditures	**(74,920)**	(553,793)
Proceeds from sale of marketable debt securities	**2,789,139**	6,909,855
Cash paid for equity investment	**—**	(1,000,000)
Net cash provided by investing activities	**2,664,219**	5,268,430
Cash flows (used in) provided by financing activities:		
Sale of registered stock	**7,450,000**	—
Settlements of restricted stock for tax withholding obligations	**(7,128)**	—
Net cash provided by financing activities	**7,442,872**	—
Effect of exchange rate changes on cash	**(3,110)**	110,287
Net increase (decrease) in cash and cash equivalents	**2,257,178**	(680,327)
Cash and cash equivalents:		
Beginning of period	**14,326,347**	24,848,227
End of period	**$ 16,583,525**	$ 24,167,900
Supplemental disclosure of cash flow information:		
Issuance costs included in accounts payable and accrued expenses	**$ 140,000**	$ —
Income taxes paid	**—**	1,429,000

See notes to unaudited condensed consolidated financial statements

KOPIN CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of Kopin Corporation as of March 30, 2019 and for the three month periods ended March 30, 2019 and March 31, 2018 are unaudited and include all adjustments that, in the opinion of management, are necessary to present fairly the results of operations for the periods then ended. These condensed consolidated financial statements should be read in conjunction with the Company’s financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 . The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for any other interim period or for a full fiscal year. The Company reclassified certain prior period amounts to conform to the current period presentation. As used in this report, the terms "we", "us", "our", "Kopin" and the "Company" mean Kopin Corporation and its subsidiaries, unless the context indicates another meaning.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred net losses of $35.8 million and net cash outflows from operations of $28.2 million for the fiscal year ended 2018. The Company incurred a net loss of $11.3 million for the three months ended March 30, 2019 and net cash outflows from operations of $7.8 million . In addition, the Company has experienced a significant decline in its cash and cash equivalents and marketable debt securities over the last several years, which was primarily a result of funding operating losses, of which a significant component relates to the Company’s ongoing investments in the research and development of Wearable products. On March 15, 2019, the Company sold 7.3 million shares of registered common stock for gross proceeds of $8.0 million ($1.10 per share), before deducting underwriting discounts and offering expenses payable by the Company. The Company had $36.9 million of cash and cash equivalents and marketable debt securities at March 30, 2019 . The Company's historical and current use of cash in operations combined with limited liquidity resources raise substantial doubt regarding the Company’s ability to continue as a going concern.

The Company’s products are targeted towards the wearable market, which management believes is still developing and cannot predict how long the wearable market will take to develop or if the Company’s products will be accepted. Accordingly, the Company’s current strategy is to continue to invest in research and development, even during unprofitable periods, which may result in the Company continuing to incur net losses and negative cash flows from operations. If the Company is unable to achieve and maintain positive cash flows and profitability in the foreseeable future, its financial condition may ultimately be materially adversely affected such that management may be required to reduce operating expenses, including investments in research and development, or raise additional capital. While there can be no assurance the Company will be able to successfully reduce operating expenses or raise additional capital, management believes its historical success in managing cash flows and obtaining capital will continue in the foreseeable future.

These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") *2016-02, Leases (Topic 842)* , which requires lessees to recognize operating lease right-of-use assets and lease liability for most lease arrangements. Effective December 30, 2018, the Company adopted the requirements of the new lease standard using the modified retrospective approach, applying the new lease requirements at the beginning of fiscal year 2019. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allows us to carry forward the historical lease classification. The Company did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of right-of-use assets. The standard resulted in the recognition of operating lease right-of-use assets of $3.7 million and operating lease liabilities of $3.8 million , of which $1.0 million was classified as current at the beginning of fiscal year 2019. The standard had no material impact on the Company's results of operations or cash flows and there was no cumulative impact on accumulated deficit as of December 30, 2018. In addition, new disclosures are provided to enable readers to assess the amount, timing and uncertainty of cash flows arising from leases.

Significant Accounting Policies Update

The Company's significant accounting policies are detailed in "Note 1: Summary of Significant Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018. Effective December 30, 2019, the Company adopted the requirements of ASU *2016-02, Leases (Topic 842)* using the modified retrospective approach as discussed below. The Company reclassified certain balance sheet accounts to conform to the Company's current period presentation. All amounts disclosed in this Form 10-Q reflect these changes.

Leases

The Company determines if an arrangement is a lease or contains an embedded lease at inception. For lease arrangements with both lease and non-lease components (e.g., common-area maintenance costs), the Company accounts for the non-lease components separately.

All of the Company's leases are operating leases. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future lease payments over the lease term at the commencement date. The operating lease right-of-use assets also includes any initial direct costs and any lease payments made at or before the commencement date, and is reduced for any unrestricted incentives received at or before the commencement date.

For the majority of the Company's leases, the discount rate used to determine the present value of the lease payments is the Company's incremental borrowing rate at the lease commencement date, as the implicit rate is not readily determinable. The discount rate represents a risk-adjusted rate on a secured basis, and is the rate at which the Company would borrow funds to satisfy the scheduled lease liability payment streams commensurate with the lease term. On December 30, 2018, the discount rate used on existing leases at adoption was determined based on the remaining lease term using available data as of that date. For new or renewed leases starting in 2019, the discount rate is determined using available data at lease commencement and based on the lease term including any reasonably certain renewal periods.

Some of our leases include options to extend or terminate the lease. The Company includes these options in the recognition of the Company's ROU assets and lease liabilities when it is reasonably certain that the Company will exercise the option. In most cases, the Company has concluded that renewal and early termination options are not reasonably certain of being exercised by the Company (and thus not included in our ROU asset and lease liability) unless there is an economic, financial or business reason to do so. None of our leases include variable lease-related payments, such as escalation clauses based on the consumer price index ("CPI") rates or residual guarantees.

Accounting Standards Issued But Not Yet Adopted

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure *Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which adds, amends and removes certain disclosure requirements related to fair value measurements. Among other changes, this standard requires certain additional disclosure surrounding Level 3 assets, including changes in unrealized gains or losses in other comprehensive income and certain inputs in those measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Certain amended or eliminated disclosures in this standard may be adopted early, while certain additional disclosure requirements in this standard can be adopted on its effective date. In addition, certain changes in the standard require retrospective adoption, while other changes must be adopted prospectively. The Company is currently evaluating ASU 2018-13 and its impact on our consolidated financial statements.

3. CASH AND CASH EQUIVALENTS AND MARKETABLE DEBT SECURITIES

The Company considers all highly liquid, short-term debt instruments with original maturities of three months or less to be cash equivalents.

Marketable debt securities consist primarily of commercial paper, medium-term corporate notes, and U.S. government and agency backed securities. The Company classifies these marketable debt securities as available-for-sale at fair value in "Marketable debt securities, at fair value." The Company records the amortization of premium and accretion of discounts on marketable debt securities in the results of operations.

The Company uses the specific identification method as a basis for determining cost and calculating realized gains and losses with respect to marketable debt securities. The gross gains and losses realized related to sales and maturities of marketable debt securities were not material during the three months ended March 30, 2019 and the fiscal year ended December 29, 2018 .

Investments in available-for-sale marketable debt securities were as follows at March 30, 2019 and December 29, 2018 :

	Amortized Cost		Unrealized Losses		Fair Value	
	2019	2018	**2019**	2018	**2019**	2018
U.S. government and agency backed securities	**$ 11,307,655**	$ 13,064,418	**$ (136,955)**	$ (253,495)	**$ 11,170,700**	$ 12,810,923
Corporate debt	**9,131,568**	10,175,084	**(13,351)**	(67,991)	**9,118,217**	10,107,093
Total	**$ 20,439,223**	$ 23,239,502	**$ (150,306)**	$ (321,486)	**$ 20,288,917**	$ 22,918,016

The contractual maturity of the Company's marketable debt securities was as follows at March 30, 2019 :

	Less than One year	One to Five years	Total
U.S. government and agency backed securities	$ 1,994,750	$ 9,175,950	$ 11,170,700
Corporate debt	2,671,796	6,446,421	9,118,217
Total	$ 4,666,546	$ 15,622,371	$ 20,288,917

4. FAIR VALUE MEASUREMENTS

Financial instruments are categorized as Level 1, Level 2 or Level 3 based upon the method by which their fair value is computed. An investment is categorized as Level 1 when its fair value is based on unadjusted quoted prices in active markets for identical assets that the Company has the ability to access at the measurement date. An investment is categorized as Level 2 if its fair market value is based on quoted market prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, based on observable inputs such as interest rates, yield curves, or derived from or corroborated by observable market data by correlation or other means. An investment is categorized as Level 3 if its fair value is based on assumptions developed by the Company about what a market participant would use in pricing the assets.

The following table details the fair value measurements of the Company's financial assets:

		Fair Value Measurement March 30, 2019 Using:		
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	**$ 16,583,525**	**$ 16,583,525**	**$ —**	**$ —**
U.S. Government Securities	**11,170,700**	**—**	**11,170,700**	**—**
Corporate Debt	**9,118,217**	**—**	**9,118,217**	**—**
GCS Holdings	**336,384**	**336,384**	**—**	**—**
Equity Investments	**5,650,099**	**—**	**—**	**5,650,099**
	$ 42,858,925	**$ 16,919,909**	**$ 20,288,917**	**$ 5,650,099**

		Fair Value Measurement December 29, 2018 Using:		
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 14,326,347	$ 14,326,347	$ —	$ —
U.S. Government Securities	12,810,923	—	12,810,923	—
Corporate Debt	10,107,093	—	10,107,093	—
GCS Holdings	288,026	288,026	—	—
Equity Investments	5,565,499	—	—	5,565,499
	$ 43,097,888	$ 14,614,373	$ 22,918,016	$ 5,565,499

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. Changes in Level 3 investments were as follows:

	December 29, 2018	**Net unrealized gains**	**Purchases, issuances and settlements**	**Transfers in and or out of Level 3**	**March 30, 2019**
Equity Investments	$ 5,565,499	**$ 84,600**	**$ —**	**$ —**	**$ 5,650,099**

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of their short-term nature. If accrued liabilities were carried at fair value, these would be classified as Level 2 in the fair value hierarchy.

Marketable Debt Securities

The corporate debt consists of floating rate notes with a maturity that is over multiple years but has interest rates that are reset every three months based on the then-current three-month London Interbank Offering Rate ("three-month Libor"). The Company validates the fair market values of the financial instruments above by using discounted cash flow models, obtaining independent pricing of the securities or through the use of a model that incorporates the three-month Libor, the credit default swap rate of the issuer and the bid and ask price spread of the same or similar investments which are traded on several markets.

Equity Investments

The Company acquired an equity interest in a company in the first quarter of 2018. The Company made a $1.0 million capital contribution during the three months ended March 31, 2018. The Company also contributed certain intellectual property. During the three months ended March 30, 2019, the Company recorded a $0.1 million unrealized gain on this equity investment due to a fluctuation in the foreign exchange rate. As of March 30, 2019, the Company owned an 11.0% interest in this investment and the fair value of this equity investment was approximately $3.7 million at March 30, 2019.

The Company owns an interest in an equity investment whose fair value was approximately $1.9 million at March 30, 2019. The Company adopted the measurement alternative for equity investments without readily determinable fair values (often referred to as cost method investments). As a result, these investments will be revalued upon occurrence of an observable price change for similar investments and for impairments. The Company did not have an observable price change for similar investments of its equity investments and recorded no impairments on its equity investments during the three months ended March 30, 2019.

5. INVENTORY

Inventories are stated at standard cost adjusted to approximate the lower of cost (first-in, first-out method) or net realizable value and consist of the following at March 30, 2019 and December 29, 2018 :

		March 30, 2019		December 29, 2018
Raw materials	**$**	**2,509,173**	$	2,548,139
Work-in-process		**1,208,874**		1,526,552
Finished goods		**456,303**		722,547
	$	**4,174,350**	$	4,797,238

6. NET LOSS PER SHARE

Basic net loss per share is computed using the weighted-average number of shares of common stock outstanding during the period less any unvested restricted shares. Diluted net loss per share is calculated using weighted-average shares outstanding and contingently issuable shares, less weighted-average shares reacquired during the period. The net outstanding shares are adjusted for the dilutive effect of shares issuable upon the assumed conversion of the Company's common stock equivalents, which consist of unvested restricted stock.

The following were not included in weighted-average common shares outstanding-diluted because they are anti-dilutive or performance conditions have not been met at the end of the period:

	Three months ended	
	March 30, 2019	March 31, 2018
Non-vested restricted common stock	**2,150,874**	3,454,274

7. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Registered sale of equity securities

On March 15, 2019, the Company sold 7.3 million shares of registered common stock for gross proceeds of $8.0 million ($1.10 per share), before deducting underwriting discounts and offering expenses paid by the Company. This represents approximately 8.9% of Kopin's total outstanding shares of common stock as of the date of purchase. The net proceeds from the offering were used for general corporate purposes, including working capital. On April 10, 2019, the Company sold 0.7 million shares of registered common stock for gross proceeds of $0.8 million ($1.10 per share), before deducting underwriting discounts and offering expenses paid by the Company, pursuant to the partial exercise of the underwriters' overallotment option in connection with its March 15, 2019 public offering. This represents approximately 0.8% of Kopin's total outstanding shares of common stock as of the date of purchase.

Non-Vested Restricted Common Stock

The fair value of non-vested restricted common stock awards is generally the market value of the Company's common stock on the date of grant. The non-vested restricted 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 also require meeting either performance criteria or the Company's stock achieving a certain price. For non-vested restricted common stock awards that solely require the recipient to remain employed with the Company, the stock compensation expense is amortized over the anticipated service period. For non-vested restricted common stock awards that 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 anticipated service period. If the performance criteria are not met, no compensation cost is recognized and any previously recognized compensation cost is reversed.

Restricted stock activity was as follows:

	Shares		Weighted Average Grant Fair Value
Balance, December 29, 2018	2,213,249	$	2.51
Granted	**70,000**		**1.26**
Forfeited	**(122,375)**		**3.06**
Vested	**(10,000)**		**2.90**
Balance, March 30, 2019	**2,150,874**	**$**	**2.44**

On December 31, 2017, the Company amended the employment agreement with our CEO, Dr. John Fan, to expire on December 31, 2020 and as part of the amendment issued restricted stock grants. Of the restricted stock grants issued to Dr. Fan, 640,000 shares will vest upon the first 20 consecutive trading day period following the grant date during which the Company's common stock trades at a price equal to or greater than $5.25 , 150,000 shares will vest at the end of the first 20 consecutive trading day period following the grant date during which the Company’s common stock trades at a price per share equal to or greater than $6.00 , and 150,000 shares will vest at the end of the first 20 consecutive trading day period following the grant date during which the Company’s common stock trades at a price per share equal to or greater than $7.00 . All of the grants are subject to certain acceleration events and expire on December 31, 2020. The total fair value of these awards on December 31, 2017 was $1.7 million . The value of restricted stock grants that vest based on market conditions is computed on the date of grant using the Monte Carlo model with the following assumptions:

	For the three months ended March 30, 2019					
Performance price target	**$**	**5.25**	**$**	**6.00**	**$**	**7.00**
Expected volatility		**48.3%**		**48.3%**		**48.3%**
Interest rate		**1.97%**		**1.97%**		**1.97%**
Expected life (years)		**3**		**3**		**3**
Dividend yield		**—%**		**—%**		**—%**

Stock-Based Compensation

The following table summarizes stock-based compensation expense within each of the categories below as it relates to non-vested restricted common stock awards for the three months ended March 30, 2019 and March 31, 2018 (no tax benefits were recognized):

	Three Months Ended			
	March 30, 2019		March 31, 2018	
Cost of product revenues	**$**	**32,108**	$	110,226
Research and development		**104,730**		274,316
Selling, general and administrative		**679,004**		1,014,873
Total	**$**	**815,842**	$	1,399,415

Unrecognized compensation expense for non-vested restricted common stock as of March 30, 2019 totaled $2.5 million and is expected to be recognized over a weighted average period of approximately two years.

8. ACCRUED WARRANTY

The Company typically warrants its products against defect for 12 to 18 months , however, for certain products a customer may purchase an extended warranty. A provision for estimated future costs and estimated returns for credit relating to such warranty is recorded in the period when product is shipped and revenue recognized, and is updated as additional information becomes available. The Company’s estimate of future costs to satisfy warranty obligations is based primarily on historical warranty expense experienced and a provision for potential future product failures. Changes in the accrued warranty for the three months ended March 30, 2019 were as follows:

Balance, December 29, 2018	$	571,000
Additions		**180,000**
Claims		**(167,000)**
Balance, March 30, 2019	**$**	**584,000**

Extended Warranties

Deferred revenue represents the purchase of extended warranties by the Company's customers. The Company recognizes revenue from an extended warranty on the straight-line method over the life of the extended warranty, which is typically 12 to 15 months beyond the standard 12 to 18 month warranty. The Company classifies the current portion of deferred revenue under Other accrued liabilities in its condensed consolidated balance sheets. At March 30, 2019 , the Company had $0.3 million of deferred revenue related to extended warranties.

9. INCOME TAXES

The Company recorded a provision for income taxes of less than $0.1 million in the three months ended March 30, 2019 as compared to no provision for income taxes recorded in the three months ended March 31, 2018 . As of March 30, 2019 , the Company has available for tax purposes U.S. federal NOLs of approximately $208.0 million expiring 2022 through 2037. The Company had recognized a full valuation allowance on its domestic and certain foreign net deferred tax assets due to the uncertainty of realization of such assets. The Company recognizes both accrued interest and penalties related to its uncertain tax positions related to intercompany loan interest and potential transfer pricing exposure related to its foreign subsidiaries.

10. CONTRACT ASSETS AND LIABILITIES

Contract assets include unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized from customer arrangements, including licensing, exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current. The Company classifies the noncurrent portion of contract assets under other assets in its condensed consolidated balance sheets.

Contract liabilities consist of advance payments and billings in excess of cost incurred and deferred revenue.

Net contract assets (liabilities) consisted of the following:

	March 30, 2019	December 29, 2018	$ Change	% Change
Contract assets—current	**$ 2,141,677**	$ 3,089,663	$ (947,986)	(31)%
Contract liabilities—current	**(1,189,772)**	(388,933)	(800,839)	206 %
Contract liabilities—noncurrent	**(20,142)**	(17,294)	(2,848)	17 %
Net contract assets (liabilities)	**$ 931,763**	$ 2,683,436	$ (1,751,673)	(65)%

The $1.8 million decrease in the Company's net contract assets (liabilities) from December 29, 2018 to March 30, 2019 was primarily due the shipment of inventory that was in process at December 29, 2018.

In the three months ended March 30, 2019 , the Company recognized revenue of $0.1 million related to our contract liabilities at December 29, 2018 . In the three months ended March 31, 2018 , the Company recognized revenue of less than $0.1 million related to our contract liabilities at December 31, 2017.

The Company did not recognize impairment losses on our contract assets in the three months ended March 30, 2019 or March 31, 2018 .

Performance Obligations

The Company's revenue recognition related to performance obligations that were satisfied at a point in time and over time were as follows:

	Three months ended	
	March 30, 2019	March 31, 2018
Point in time	**71%**	79%
Over time	**29%**	21%

Remaining performance obligations represent the transaction price of orders for which work has not been performed and excludes unexercised contract options and potential orders under ordering-type contracts (e.g., indefinite-delivery, indefinite-quantity ("IDIQ")). As of March 30, 2019 , the aggregate amount of the transaction price allocated to remaining performance obligations was $6.8 million . The Company expects to recognize revenue on the remaining performance obligations of $6.8 million over the next 12 months. The remaining performance obligations represent amounts to be earned under government contracts, which are subject to cancellation.

11. LEASES

The Company enters into operating leases primarily for: real estate, including for manufacturing, engineering, research, administration and sales facilities, and information technology ("IT") equipment. At March 30, 2019 and December 29, 2018, the Company did not have any finance leases. Approximately 86% of our future lease commitments, and related lease liability, relate to the Company's real estate leases. Some of the Company's leases include options to extend or terminate the lease.

The components of lease expense were as follows:

	Three months ended	
	March 30, 2019	March 31, 2018
Operating lease cost	**$ 301,000**	**$ 357,000**

At March 30, 2019 , the Company's future lease payments under non-cancellable leases were as follows:

2019 (excluding the three months ended March 30, 2019)	$ 903,000
2020	1,223,000
2021	1,032,000
2022	656,000
2023	204,000
Thereafter	—
Total future lease payments	4,018,000
Less imputed interest	(430,000)
Total	$ 3,588,000

The Company's lease liabilities recognized in the Company's condensed consolidated balance sheet at March 30, 2019 was as follows:

	March 30, 2019
Operating lease liabilities—current	**$ 1,002,309**
Operating lease liabilities—noncurrent	**2,585,906**
Total lease liabilities	**$ 3,588,215**

Supplemental cash flow information related to leases was as follows:

	Three months ended
	March 30, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	**$ 298,000**
Right-of-use assets obtained in exchange for new operating lease obligations	**243,000**

Other information related to leases was as follows:

	March 30, 2019
Weighted Average Discount Rate—Operating Leases	**6.11%**
Weighted Average Remaining Lease Term—Operating Leases (in years)	**3.7**

Prior to December 30, 2018, the Company accounted for its leases in accordance with Topic 840, *Leases* . At December 29, 2018, the Company was committed under operating leases for buildings, office space and equipment, which expired at various dates. As previously disclosed in our 2018 Annual Report and under previous lease guidance, future minimum lease payments under non-cancelable operating leases as of December 29, 2018 were as follows:

Fiscal year ending,	Amount
2019	$ 1,210,000
2020	1,112,000
2021	921,000
2022	616,000
2023	201,000
Thereafter	—
Total	$ 4,060,000

12. SEGMENTS AND DISAGGREGATION OF REVENUE

The Company's chief operating decision maker is its Chief Executive Officer. The Company has determined it has two reportable segments: Industrial, which includes the operations that develop and manufacture its reflective display products and virtual reality systems for test and simulation products, and Kopin, which includes the operations that develop and manufacture its other products.

Segment financial results were as follows:

	Three months ended	
Total Revenue (in thousands)	**March 30, 2019**	March 31, 2018
Kopin	**$ 3,456**	$ 2,997
Industrial	**2,578**	2,657
Eliminations	**(491)**	—
Total	**$ 5,543**	$ 5,654

	Three months ended	
Total Intersegment Revenue (in thousands)	**March 30, 2019**	March 31, 2018
Kopin	**$ —**	$ —
Industrial	**491**	—
Total	**$ 491**	$ —

	Three months ended	
Net Loss Attributable to Kopin (in thousands)	**March 30, 2019**	March 31, 2018
Kopin	**$ (11,894)**	$ (5,990)
Industrial	**563**	310
Total	**$ (11,331)**	$ (5,536)

Total Assets (in thousands)	**March 30, 2019**	December 29, 2018
Kopin	**$ 53,288**	$ 50,995
Industrial	**8,139**	8,554
Total	**$ 61,427**	$ 59,549

Total long-live assets by country at March 30, 2019 and December 29, 2018 were:

Total Long-lived Assets (in thousands)	**March 30, 2019**	December 29, 2018
U.S.	**$ 1,934**	$ 2,101
United Kingdom	**196**	197
China	**61**	251
Japan	**43**	50
Total	**$ 2,234**	$ 2,599

We disaggregate our revenue from contracts with customers by geographic location and by display application, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

During the three months ended March 30, 2019 and March 31, 2018 , the Company derived its sales from the following geographies:

	Three months ended March 30, 2019					
	Kopin		**Industrial**		**Total**	
(In thousands, except percentages)	**Revenue**	**% of Total**	**Revenue**	**% of Total**	**Revenue**	**% of Total**
United States	**$ 2,027**	**37%**	**$ 379**	**7%**	**$ 2,406**	**43%**
Other Americas	**11**	**—**	**7**	**—**	**18**	**—**
Total Americas	**2,038**	**37**	**386**	**7**	**2,424**	**43**
Asia-Pacific	**1,031**	**19**	**841**	**15**	**1,872**	**34**
Europe	**387**	**7**	**860**	**16**	**1,247**	**22**
Total Revenues	**$ 3,456**	**63%**	**$ 2,087**	**38%**	**$ 5,543**	**99%**

	Three months ended March 31, 2018					
	Kopin		Industrial		Total	
(In thousands, except percentages)	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
United States	$ 2,209	39%	$ 1,388	25%	$ 3,597	64%
Other Americas	2	—	4	—	6	—
Total Americas	2,211	39	1,392	25	3,603	64
Asia-Pacific	480	9	693	12	1,173	21
Europe	306	5	569	10	875	15
Other	—	—	3	—	3	—
Total Revenues	$ 2,997	53%	$ 2,657	47%	$ 5,654	100%

During the three months ended March 30, 2019 and March 31, 2018 , the Company derived its sales from the following display applications:

	Three months ended March 30, 2019			Three months ended March 31, 2018		
(In thousands)	**Kopin**	**Industrial**	**Total**	Kopin	Industrial	Total
Military	**$ 1,078**	**$ 363**	**$ 1,441**	$ 798	$ 1,486	$ 2,284
Industrial	**936**	**1,567**	**2,503**	748	1,011	1,759
Consumer	**646**	**—**	**646**	891	—	891
R&D	**789**	**140**	**929**	560	49	609
Other	**7**	**17**	**24**	—	111	111
Total Revenues	**$ 3,456**	**$ 2,087**	**$ 5,543**	$ 2,997	$ 2,657	$ 5,654

13. LITIGATION

The Company may engage in legal proceedings arising in the ordinary course of business. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of such matters and our business, financial condition, results of operations or cash flows could be affected in any particular period.

BlueRadios, Inc. v. Kopin Corporation, Civil Action No. 16-02052-JLK (D. Col.):

On August 12, 2016, BlueRadios, Inc. ("BlueRadios") filed a complaint in the U.S. District Court for the District of Colorado, alleging that the Company breached a contract between it and BlueRadios concerning a joint venture between the Company and BlueRadios to design, develop and commercialize micro-display products with embedded wireless technology referred to as “Golden-i” breached the covenant of good faith and fair dealing associated with that contract, breached its fiduciary duty to BlueRadios, and misappropriated trade secrets owned by BlueRadios in violation of Colorado law (C.R.S. § 7-74-104(4)) and the Defend Trade Secrets Act (18 U.S.C. § 1836(b)(1)). BlueRadios further alleges that the Company was unjustly enriched by its alleged misconduct, BlueRadios is entitled to an accounting to determine the amount of profits obtained by the Company as a result of its alleged misconduct, and the inventorship on at least ten patents or patent applications owned by the Company need to be corrected to list BlueRadios’ employees as inventors and thereby list BlueRadios as co-assignees of the patents. BlueRadios seeks monetary, declaratory, and injunctive relief.

On October 11, 2016, the Company filed its Answer and Affirmative Defenses. The parties are in the midst of discovery, with the close of all discovery currently set for July 31, 2019. A trial date has not yet been set by the Court. The Company has not concluded a loss from this matter is probable; therefore, we have not recorded an accrual for litigation or claims related to this matter for the period ended March 30, 2019 . The Company will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable.

14. RELATED PARTY TRANSACTIONS

The Company may from time to time enter into agreements with stockholders, affiliates and other companies engaged in certain aspects of the display, electronics, optical and software industries as part of our business strategy. In addition, the wearable computing product market is relatively new and there may be other technologies the Company needs to purchase from affiliates to enhance its product offering.

During the three month periods ended March 30, 2019 and March 31, 2018 , the Company had the following transactions with related parties:

	Three months ended			
	March 30, 2019		March 31, 2018	
	Sales	**Purchases**	Sales	Purchases
Goertek	**$ —**	**$ 1,246,077**	$ —	$ 220,004
RealWear, Inc.	**525,386**	**—**	251,351	—
	$ 525,386	**$ 1,246,077**	$ 251,351	$ 220,004

The Company had the following receivables, contract assets and payables with related parties:

	March 30, 2019			December 29, 2018		
	Receivables	**Contract assets**	**Payables**	Receivables	Contract assets	Payables
Goertek	**$ —**	**$ —**	**$ 892,704**	$ —	$ —	$ 207,530
RealWear, Inc.	**997,620**	**400,000**	**—**	1,041,334	400,000	—
	$ 997,620	**$ 400,000**	**$ 892,704**	$ 1,041,334	$ 400,000	$ 207,530

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the safe harbor created by such sections. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “could,” “would,” “seeks,” “estimates,” and variations of such words and similar expressions, and the negatives thereof, are intended to identify such forward-looking statements. We caution readers not to place undue reliance on any such “forward-looking statements,” which speak only as of the date made, and advise readers that these forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, estimates, and assumptions by us that are difficult to predict. Various factors, some of which are beyond our control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. All such forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by these cautionary statements and any other cautionary statements which may accompany the forward-looking statements. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report, except as may otherwise be required by the federal securities laws.

We have identified the following important factors that could cause actual results to differ materially from those discussed in our forward-looking statements. Such factors may be in addition to the risks described in Part I, Item 1A, “Risk Factors;” Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations; and other parts of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018. These factors include: our ability to continue as a going concern; our ability to obtain raw materials and other goods as well as services from our suppliers as needed; our intent to continue focusing our development efforts on proprietary wearable computing systems; the potential for customers to choose our competitors as their supplier; our expectation that we will have negative cash flow from operating activities in 2019; our ability to invest in research and development to achieve profitability even during periods when we are not profitable; our ability to continue to introduce new products in our target markets; the degree to which our wearable technology is embraced by consumers and commercial users; our ability to develop and expand our wearable technologies and to market and license our concept systems and components; our ability to generate revenue growth and positive cash flow, and reach profitability; the strengthening of the U.S. dollar and its effects on the price of our products in foreign markets; our ability to grow within our targeted markets; the importance of small form factor displays in the development of military, consumer, and industrial products such as thermal weapon sights, safety equipment, virtual and augmented reality gaming, training and simulation products and metrology tools; our expectation that we will expend between $1.5 million and $2.0 million on capital expenditures during our current fiscal year; if we do not soon achieve and maintain positive cash flow and profitability, our financial condition will ultimately be materially adversely affected, and we will be required to reduce expenses, including our investments in research and development and/or raise additional capital; our ability to support our operations and capital needs for at least the next twelve months through our available cash resources; and our expectation that we will incur taxes based on our foreign operations in 2019.

Overview

We were incorporated in Delaware in 1984 and are a leading inventor, developer, manufacturer and seller of technologies, components and systems for the smart headset wearable, military, thermal imager, 3D optical inspection system and training and simulation markets.

Effective December 30, 2018, the Company adopted the requirements of Accounting Standards Update ("ASU") *2016-02, Leases (Topic 842)* using the modified retrospective approach as discussed below. The Company reclassified certain balance sheet accounts to conform to the Company's current period presentation. All amounts disclosed in this Form 10-Q reflect these changes.

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 and our unaudited condensed consolidated financial statements included in this Form 10-Q.

Results of Operations

As described in our "Forward-Looking Statements" on page 19 of this Form 10-Q, our interim period results of operations and period-to-period comparisons of such results may not be indicative of our future operating results. Additionally, we use a fiscal calendar, which may result in differences in the number of work days in the current and comparable prior interim periods and could affect period-to-period comparisons. The following discussions of comparative results among periods, including the discussion of segment results, should be viewed in this context.

Revenues. For the three months ended March 30, 2019 and March 31, 2018 , our revenues by display application, which include product sales and amounts earned from research and development contracts, were as follows:

	Three months ended	
(In thousands)	**March 30, 2019**	March 31, 2018
Military	**$ 1,441**	$ 2,284
Industrial	**2,503**	1,759
Consumer	**646**	891
R&D	**929**	609
Other	**24**	111
Total Revenues	**$ 5,543**	$ 5,654

Sales of our products for Military applications include systems used by the military both in the field and for training and simulation. The decrease in Military applications revenues in the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 is primarily due to the completion of military programs at our subsidiary NVIS, Inc. ("NVIS") during the three months ended March 31, 2018 .

Industrial applications revenue represents customers who purchase our display products for use in 3D metrology equipment and headsets used for applications in manufacturing, distribution and public safety. Our 3D metrology customers are primarily located in Asia and sell to Asian contract manufacturers who use the 3D metrology machines for quality control purposes. The increase in Industrial applications revenue for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 is primarily due to an increase in sales to customers who use our display components in industrial headsets.

Our displays for Consumer applications are used primarily in thermal imaging products, recreational rifle and hand-held scopes and drone racing headsets. The decrease in Consumer applications for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 was primarily due to decreased demand for displays and components used in drone racing headsets.

R&D revenues increase d in the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 primarily due to funding for U.S. military programs.

International sales represented 57% and 37% of total revenues for the three months ended March 30, 2019 and March 31, 2018 , 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, which could lead to a reduction in sales or profitability in those foreign markets. 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 British Pound Sterling (the functional currency of our U.K. subsidiary) and the U.S. dollar. Foreign currency translation impact on our results, if material, is described in further detail under "Item 3. Quantitative and Qualitative Disclosures About Market Risk" section below.

Cost of Product Revenues. Cost of product revenues, which is comprised of materials, labor and manufacturing overhead related to the production of our products for the three months ended March 30, 2019 and March 31, 2018 were as follows:

	Three Months Ended	
(In thousands, except for percentages)	**March 30, 2019**	March 31, 2018
Cost of product revenues	**$ 5,877**	$ 4,062
Cost of product revenues as a % of net product revenues	**127.4%**	80.5%

The increase in cost of product revenues for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 was primarily due to a decrease in volumes for military revenue, which have higher margins as compared to our other products and a $1.2 million charge for inventory obsolescence on display components.

Research and Development. R&D expenses are incurred in support of internal display development programs and programs funded by agencies or prime contractors of the U.S. government and commercial partners. R&D costs include staffing, purchases of materials and laboratory supplies, circuit design costs, fabrication and packaging of display products, and overhead. In fiscal year 2019, we expect our R&D expenditures to be related to our display products, overlay weapon sights and organic light emitting diode ("OLED") display technologies. Funded and internal R&D expense are combined in research and development expenses in the statement of operations. R&D expenses for the three months ended March 30, 2019 and March 31, 2018 were as follows:

	Three Months Ended	
(In thousands)	**March 30, 2019**	March 31, 2018
Funded	**$ 866**	$ 853
Internal	**4,101**	3,599
Total research and development expense	**$ 4,967**	$ 4,452

Funded R&D expense for the three months ended March 30, 2019 was relatively consistent as compared to the three months ended March 31, 2018 . For the three months ended March 30, 2019 , internal R&D increased as compared to the three months ended March 31, 2018 primarily due to a one-time charge for tooling equipment on Kopin's wearable technologies. Included in internal R&D for the three months ended March 30, 2019 is a $0.5 million write-off of materials associated with development programs that are being curtailed.

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. S,G&A expenses for the three months ended March 30, 2019 and March 31, 2018 were as follows:

	Three Months Ended	
(In thousands, except for percentages)	**March 30, 2019**	March 31, 2018
Selling, general and administration expense	**$ 6,283**	$ 6,931
Selling, general and administration expense as a % of revenues	**113.3%**	122.6%

S,G&A decrease d for the three months ended March 30, 2019 as compared to the three months ended March 31, 2018 primarily due to a decrease in compensation expenses including stock-based compensation, amortization of intangible assets and accretion of the NVIS earnout.

Other Income, net. Other income, net, is primarily composed of interest income, foreign currency transaction and remeasurement gains and losses incurred by our U.K.-based subsidiary and other non-operating income items. Other income, net, for the three months ended March 30, 2019 and March 31, 2018 was as follows:

	Three Months Ended	
(In thousands)	**March 30, 2019**	March 31, 2018
Other income, net	**$ 290**	$ 4,320

During the three months ended March 30, 2019 and March 31, 2018 , we recorded a $0.2 million of foreign currency gains. During the three months ended March 31, 2018 , the Company recognized a gain of $2.9 million from the transfer of intellectual property in exchange for equity interest in an investment. During the three months ended March 31, 2018 , the Company received $1.0 million of insurance proceeds related to the embezzlement at our Korean subsidiary, which was discovered in 2016.

Tax Provision. The Company record a provision for income taxes of less than $0.1 million in the three months ended March 30, 2019 as compared to no provision for income taxes recorded in the three months ended March 31, 2018 .

Net Loss (Income) Attributable to Noncontrolling Interest. As of March 30, 2019 , we owned 80% of the equity of eMDT America ("eMDT"). Net loss (income) attributable to noncontrolling interest on our consolidated statement of operations represents the portion of the results of operations of our majority owned subsidiary which is allocated to the stockholders of the equity interests not owned by us. The change in net loss (income) attributable to noncontrolling interest is the result of the change in the results of operations of eMDT for the three months ended March 30, 2019 and March 31, 2018 .

Net Loss Attributable to Kopin Corporation. The Company incurred a net loss attributable to Kopin Corporation of $11.3 million during the three months ended March 30, 2019 compared to a net loss attributable to Kopin Corporation of $5.5 million during the three months ended March 31, 2018 . The increase in the net loss attributable to Kopin Corporation during the three months ended March 30, 2019 compared to the three months ended March 31, 2018 was primarily due to the decrease in other income, net, which is described above in Other Income, net and an increase in cost of product revenues, which is described above in Cost of Product Revenues.

Liquidity and Capital Resources

At March 30, 2019 and December 29, 2018 , we had cash and cash equivalents and marketable securities of $36.9 million and $37.2 million , respectively, and working capital of $35.1 million and $39.0 million at March 30, 2019 and December 29, 2018 , respectively. The change in cash and cash equivalents and marketable securities was primarily due to net outflow of cash used in operating activities of $7.8 million , capital expenditures of $0.1 million , partially offset by the proceeds from the sale of registered securities of $7.5 million and the proceeds from the sale of marketable debt securities of $2.8 million .

On March 15, 2019, the Company sold 7.3 million shares of registered common stock for gross proceeds of $8.0 million ($1.10 per share), before deducting underwriting discounts and offering expenses paid by the Company. The net proceeds from the offering were used for general corporate purposes, including working capital.

Cash and cash equivalents and marketable debt securities held in U.S. Dollars at:

		March 30, 2019		December 29, 2018
Domestic locations	**$**	**35,728,647**	$	36,182,663
International locations		**570,464**		418,339
Subtotal cash and cash equivalents marketable debt securities held in U.S. dollars		**36,299,111**		36,601,002
Cash and cash equivalents held in other currencies and converted to U.S. dollars		**573,331**		643,361
Total cash and cash equivalents and marketable debt securities	**$**	**36,872,442**	$	37,244,363

We have no plans to repatriate the cash and cash equivalents held in our foreign subsidiary FDD, Ltd. and, as such, we have not recorded any deferred tax liability with respect to such cash.

As part of the NVIS acquisition, additional payments by the Company to the former owners of up to $2.0 million could be required if certain future operating performance milestones are met and the selling stockholders remain employed with NVIS through March 2020. In March 2019 the Company paid approximately $1.3 million of additional payments to the former owners. Accordingly, if certain milestones are met by March 2020, the Company may be required to pay an additional $0.7 million. Such contingent payments will be treated as compensation expense because the milestone payments require recipients to remain employed to earn the contingent payments.

We expect to expend between $1.5 million and $2.0 million on capital expenditures in 2019.

The Company has entered into an agreement to make a one-time capital contribution of approximately $5.2 million (the Company's capital contribution under the agreement is 35.0 million Chinese Yuan Renminbi) in which the Company will receive a 3.5% equity interest in the investment. The Company’s ability to make its capital contribution is subject to Chinese laws which include restrictions of direct foreign investment. Accordingly, the Company will need to make the capital contribution through its Chinese subsidiary’s operations.

The Company has incurred net losses of $35.8 million and net cash outflows from operations of $28.2 million for the fiscal year ended 2018. The Company incurred a net loss of $11.3 million for the three months ended March 30, 2019 and net cash outflows from operations of $7.8 million . In addition, the Company has experienced a significant decline in its cash and cash equivalents and marketable debt securities over the last several years, which was primarily a result of funding operating losses, of which a significant component relates to the Company’s ongoing investments in the research and development of Wearable products. On March 15, 2019, the Company sold 7.3 million shares of registered common stock for gross proceeds of $8.0 million ($1.10 per share), before deducting underwriting discounts and offering expenses payable by the Company. The Company had $36.9 million of cash and cash equivalents and marketable debt securities at March 30, 2019 . History and current use of cash in operations combined with limited liquidity resources raise substantial doubt regarding the Company’s ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We invest our excess cash in high-quality U.S. government, government-backed (e.g., Fannie Mae, FDIC guaranteed bonds and certificates of deposit) and corporate debt instruments, which bear lower levels of relative risk. We believe 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 to our cash flows or income. It is possible that interest rate movements would increase our unrealized gain or loss on debt securities. We are exposed to changes in foreign currency exchange rates primarily through our translation of our foreign subsidiaries' financial position, results of operations, and transaction gains and losses as a result of non-U.S. dollar denominated cash flows related to business activities in Europe, and remeasurement of U.S. dollars to the British pound, the functional currency of our U.K. subsidiaries. We are also exposed to the effects of exchange rates in the purchase of certain raw materials, which are in U.S. dollars, but the price on future purchases is subject to change based on the relationship of the Japanese yen to the U.S. dollar. We do not currently hedge our foreign currency exchange rate risk. We estimate that any market risk associated with our international operations or investments is unlikely to have a material adverse effect on our business, financial condition or results of operation. Our portfolio of marketable debt securities is subject to interest rate risk although our intent is to hold securities until maturity. The credit rating of our investments may be affected by the underlying financial health of the guarantors of our investments. We use silicon wafers but do not enter into forward or futures hedging contracts to mitigate against risks related to the price of silicon.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 30, 2019 , the Company conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 30, 2019 , as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The term "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the requisite time periods and that such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of March 30, 2019 .

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company may engage in legal proceedings arising in the ordinary course of business. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of such matters and our business, financial condition, results of operations or cash flows could be affected in any particular period.

BlueRadios, Inc. v. Kopin Corporation, Civil Action No. 16-02052-JLK (D. Col.):

On August 12, 2016, BlueRadios, Inc. ("BlueRadios") filed a complaint in the U.S. District Court for the District of Colorado, alleging that the Company breached a contract between it and BlueRadios concerning a joint venture between the Company and BlueRadios to design, develop and commercialize micro-display products with embedded wireless technology referred to as "Golden-i" breached the covenant of good faith and fair dealing associated with that contract, breached its fiduciary duty to BlueRadios, and misappropriated trade secrets owned by BlueRadios in violation of Colorado law (C.R.S. § 7-74-104(4)) and the Defend Trade Secrets Act (18 U.S.C. § 1836(b)(1)). BlueRadios further alleges that the Company was unjustly enriched by its alleged misconduct, BlueRadios is entitled to an accounting to determine the amount of profits obtained by the Company as a result of its alleged misconduct, and the inventorship on at least ten patents or patent applications owned by the Company need to be corrected to list BlueRadios' employees as inventors and thereby list BlueRadios as co-assignees of the patents. BlueRadios seeks monetary, declaratory, and injunctive relief.

On October 11, 2016, the Company filed its Answer and Affirmative Defenses. The parties are in the midst of discovery, with the close of all discovery currently set for July 31, 2019. A trial date has not yet been set by the Court. The Company has not concluded a loss from this matter is probable; therefore, we have not recorded an accrual for litigation or claims related to this matter for the period ended March 30, 2019 . The Company will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended December 29, 2018. The risks discussed in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any securities during the three months ended March 30, 2019 that were not registered under the Securities Act.

Item 6. Exhibits

Exhibit No.	Description
3.1	Sixth Amended and Restated By-laws (filed as an exhibit to Current Report on Form 8-K filed on April 12, 2019, and incorporated herein by reference)
10.1+	Offer Letter, dated January 17, 2019, by and between Kopin Corporation and Paul Baker (filed as an exhibit to Current Report on Form 8-K filed on January 22, 2019, and incorporated herein by reference)
31.1	Certification of John C.C. Fan, Chief Executive Officer, filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) *
31.2	Certification of Richard A. Sneider, Chief Financial Officer, filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) *
32.1	Certification of John C.C. Fan, Chief Executive Officer, furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) **
32.2	Certification of Richard A. Sneider, Chief Financial Officer, furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) **
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*

* Submitted electronically herewith
** Furnished and not filed herewith
\+ Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at March 30, 2019 (Unaudited) and December 29, 2018 , (ii) Condensed Consolidated Statements of Operations (Unaudited) for the three months ended March 30, 2019 and March 31, 2018 , (iii) Condensed Consolidated Statement of Comprehensive (Loss) Income (Unaudited) for the three months ended March 30, 2019 and March 31, 2018 , (iv) Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three months ended March 30, 2019 , (v) Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 30, 2019 and March 31, 2018 , and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements 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.

KOPIN CORPORATION
(Registrant)

Date:	May 9, 2019	By:	/s/ John C.C. Fan
			John C.C. Fan
			President, Chief Executive Officer and Chairman of the Board of Directors
			(Principal Executive Officer)
Date:	May 9, 2019	By:	/s/ Richard A. Sneider
			Richard A. Sneider
			Treasurer and Chief Financial Officer
			(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, John C.C. Fan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kopin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
    (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2019

By: /S/ JOHN C.C. FAN

John C.C. Fan

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Richard A. Sneider, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kopin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2019

By: /S/ RICHARD A. SNEIDER

Richard A. Sneider
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Quarterly Report of Kopin Corporation (the “Company”) on Form 10-Q for the period ended March 30, 2019 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John C.C. Fan, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 9, 2019

By: /s/ JOHN C.C. FAN

John C.C. Fan
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Quarterly Report of Kopin Corporation (the “Company”) on Form 10-Q for the period ended March 30, 2019 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard A. Sneider, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 9, 2019

By: /S/ RICHARD A. SNEIDER

Richard A. Sneider
Chief Financial Officer