

ECHELON CORP
Form 10-Q
November 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10 Q

(Mark one)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _____ to _____

000-29748

(Commission file number)

ECHELON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 77 0203595

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification Number)

550 Meridian Avenue

San Jose, CA 95126

(Address of principal executive office and zip code)

(408) 938 5200

(Registrant's telephone number, including area code)

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 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer .. Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) .. Smaller reporting company

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

As of October 31, 2012, 43,024,289 shares of the registrant's common stock were outstanding.

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 FOR THE QUARTER ENDED SEPTEMBER 30, 2012
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FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of the U.S. federal securities laws that involve risks and uncertainties. Certain statements contained in this report are not purely historical including, without limitation, statements regarding our expectations, beliefs, intentions, anticipations, commitments or strategies regarding the future that are forward-looking. These statements include those discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, including "Critical Accounting Estimates," "Results of Operations," "Off-Balance-Sheet Arrangements and Other Critical Contractual Obligations," "Liquidity and Capital Resources," and "Recently Issued Accounting Standards," and elsewhere in this report.

In this report, the words "may," "could," "would," "might," "will," "should," "plan," "forecast," "anticipate," "believe," "expect," "estimate," "predict," "potential," "continue," "future," "moving toward" or the negative of these terms or other similar expressions also identify forward-looking statements. Our actual results could differ materially from those forward-looking statements contained in this report as a result of a number of risk factors including, but not limited to, those set forth in the section entitled "Factors That May Affect Future Results of Operations" and elsewhere in this report. You should carefully consider these risks, in addition to the other information in this report and in our other filings with the SEC.

All forward-looking statements and reasons why results may differ included in this report are made as of the date of this report, and we assume no obligation to update any such forward-looking statement or reason why such results might differ.

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ECHELON CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$18,686	\$17,658
Short-term investments	43,981	40,998
Accounts receivable, net	16,942	35,215
Inventories	10,532	11,125
Deferred cost of goods sold	924	6,536
Other current assets	3,062	4,044
Total current assets	94,127	115,576
Property and equipment, net	22,751	27,201
Goodwill	8,213	8,235
Other long term assets	710	693
Total assets	\$125,801	\$151,705
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$8,930	\$18,313
Accrued liabilities	4,265	7,755
Current portion of lease financing obligations	2,040	1,870
Deferred revenues	5,468	12,716
Total current liabilities	20,703	40,654
LONG-TERM LIABILITIES:		
Lease financing obligations, excluding current portion	18,711	20,193
Other long-term liabilities	1,556	1,750
Total long-term liabilities	20,267	21,943
STOCKHOLDERS' EQUITY:		
Common stock	462	457
Additional paid-in capital	351,262	346,952
Treasury stock	(28,130)	(28,130)
Accumulated other comprehensive income	227	244
Accumulated deficit	(239,128)	(230,415)
Total Echelon Corporation stockholders' equity	84,693	89,108
Noncontrolling interest in subsidiary	138	—
Total stockholders' equity	84,831	89,108
Total liabilities and stockholders' equity	\$125,801	\$151,705
See accompanying notes to condensed consolidated financial statements.		

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ECHELON CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012		2011
Revenues:					
Product	\$ 28,056	\$43,010	\$107,387	\$113,215	
Service	1,008	817	2,832	2,737	
Total revenues ⁽²⁾	29,064	43,827	110,219	115,952	
Cost of revenues:					
Cost of product ⁽¹⁾	16,672	25,419	63,352	63,037	
Cost of service ⁽¹⁾	493	501	1,601	1,661	
Total cost of revenues	17,165	25,920	64,953	64,698	
Gross profit	11,899	17,907	45,266	51,254	
Operating expenses:					
Product development ⁽¹⁾	7,256	7,533	23,450	26,005	
Sales and marketing					
Signature					

Joe Flex

Associate Director

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Delaware Management Holdings, Inc

December 8, 2011
Date

/s/ Brian L. Murray
Signature

Brian L. Murray

Chief Compliance Officer

Delaware Management Business Trust

December 8, 2011
Date

/s/ Brian L. Murray
Signature

Brian L. Murray

Chief Compliance Officer

EXHIBIT A

AGREEMENT TO FILE JOINT ACQUISITION STATEMENTS

AGREEMENT made this 9th day of SEPTEMBER, 2011 by and between DELAWARE GROUP EQUITY FUNDS I, DELAWARE GROUP EQUITY FUNDS II, DELAWARE GROUP EQUITY FUNDS III, DELAWARE GROUP EQUITY FUNDS IV, DELAWARE GROUP EQUITY FUNDS V, DELAWARE GROUP INCOME FUNDS, DELAWARE GROUP LIMITED-TERM GOVERNMENT FUNDS, DELAWARE GROUP CASH RESERVE, DELAWARE GROUP GOVERNMENT FUND, DELAWARE GROUP STATE TAX-FREE INCOME TRUST, DELAWARE GROUP TAX-FREE FUND, DELAWARE GROUP GLOBAL & INTERNATIONAL FUNDS, DELAWARE GROUP TAX-FREE MONEY FUND, DELAWARE GROUP ADVISER FUNDS, DELAWARE VIP TRUST, DELAWARE POOLED TRUST, DELAWARE GROUP FOUNDATION FUNDS, DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC., DELAWARE INVESTMENTS GLOBAL DIVIDEND AND INCOME FUND, INC., DELAWARE ENHANCED GLOBAL DIVIDEND AND INCOME FUND, VOYAGEUR INSURED FUNDS, VOYAGEUR INTERMEDIATE TAX FREE FUNDS, VOYAGEUR MUTUAL FUNDS, VOYAGEUR MUTUAL FUNDS II, VOYAGEUR MUTUAL FUNDS III, VOYAGEUR TAX FREE FUNDS, DELAWARE INVESTMENTS COLORADO MUNICIPAL INCOME FUND, INC., DELAWARE INVESTMENTS NATIONAL MUNICIPAL INCOME FUND, DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC., (the Delaware Investments Family of Funds), Delaware Management Business Trust, Delaware Management Holdings, Inc, Macquarie Affiliated Managers (USA) Inc., Macquarie Affiliated Managers Holdings (USA) Inc., Macquarie FG Holdings Inc., Macquarie Funding Holdings Inc., Macquarie Americas Holdings Pty Ltd., Macquarie Bank Limited, Macquarie B.H. Pty Limited and Macquarie Group Limited herein collectively referred to as the parties .

WHEREAS, the parties hereto may be deemed to be the direct or indirect beneficial owners of the same equity securities for the purpose of the reporting requirements of Section 13(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and

WHEREAS, the regulations promulgated under Section 13(d) of the Exchange Act permit the joining of such beneficial owners in the filing of a single Joint Acquisition Statement reporting such ownership to the Securities and Exchange Commission.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and each of the parties hereto intending to be legally bound, it is agreed as follows:

1. In the event that any two or more parties shall be deemed to be the direct or indirect beneficial owners of the same equity security required to be reported to the Securities and Exchange Commission such parties may join together in the filing of a Joint Acquisition Statement with respect to that security.
2. With respect to each Joint Acquisition Statement in which a party joins, each party acknowledges that (a) it will be eligible under applicable regulations of the Securities and Exchange Commission to join in the filing and (b) it will be responsible for the timely filing of such statement and any amendments thereto and the completeness and accuracy of the information concerning such party; but each such party shall not be responsible for the completeness and accuracy of the information concerning the other parties making the filing, unless such party knows or has reason to believe that such information with respect to such other parties is inaccurate.

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3. The parties consent to the inclusion of a copy of this agreement as an exhibit to any Joint Acquisition Statement filed on behalf of any of them.

IN WITNESS WHEREOF, the parties hereto have executed this agreement by their duly authorized officers as of the date set forth above.

DELAWARE GROUP EQUITY FUNDS I

DELAWARE GROUP EQUITY FUNDS II

DELAWARE GROUP EQUITY FUNDS III

DELAWARE GROUP EQUITY FUNDS IV

DELAWARE GROUP EQUITY FUNDS V

DELAWARE GROUP INCOME FUNDS

DELAWARE GROUP LIMITED-TERM GOVERNMENT FUNDS

DELAWARE GROUP CASH RESERVE

DELAWARE GROUP GOVERNMENT FUND

DELAWARE GROUP STATE TAX-FREE INCOME TRUST

DELAWARE GROUP TAX-FREE FUND

DELAWARE GROUP GLOBAL & INTERNATIONAL FUNDS

DELAWARE GROUP TAX-FREE MONEY FUND

DELAWARE GROUP ADVISER FUNDS

DELAWARE VIP TRUST

DELAWARE POOLED TRUST

DELAWARE GROUP FOUNDATION FUNDS

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

DELAWARE INVESTMENTS GLOBAL DIVIDEND AND INCOME FUND, INC.

DELAWARE ENHANCED GLOBAL DIVIDEND AND INCOME FUND

VOYAGEUR INSURED FUNDS

VOYAGEUR INTERMEDIATE TAX FREE FUNDS

VOYAGEUR MUTUAL FUNDS

VOYAGEUR MUTUAL FUNDS II

VOYAGEUR MUTUAL FUNDS III

VOYAGEUR TAX FREE FUNDS

DELAWARE INVESTMENTS COLORADO MUNICIPAL INCOME FUND, INC.

DELAWARE INVESTMENTS NATIONAL MUNICIPAL INCOME FUND

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC.

ATTEST BY:

/s/ David P. O Connor

/s/ Brian L. Murray

DELAWARE MANAGEMENT BUSINESS TRUST

ATTEST BY:

/s/ David P. O Connor

/s/ Brian L. Murray

DELAWARE MANAGEMENT COMPANY INC

ATTEST BY:

/s/ David P. O Connor

/s/ Brian L. Murray

DELAWARE INVESTMENTS U.S. INC.

ATTEST BY:

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/s/ David P. O Connor

/s/ Brian L. Murray

DMHC CORP.

ATTEST BY:

/s/ David P. O Connor

/s/ Brian L. Murray

DELAWARE MANAGEMENT HOLDINGS, INC.

ATTEST BY:

/s/ David P. O Connor

/s/ Brian L. Murray

MACQUARIE AFFILIATED MANAGERS (USA) INC.

MACQUARIE AFFILIATED MANAGERS HOLDINGS (USA) INC.

MACQUARIE FG HOLDINGS INC.

MACQUARIE FUNDING HOLDINGS INC.

MACQUARIE AMERICAS HOLDINGS PTY LTD.

MACQUARIE BANK LIMITED

MACQUARIE B.H. PTY LIMITED

MACQUARIE GROUP LIMITED

ATTEST BY:
/s/ Gus Wong
Attorney-in-Fact

/s/ Heidi Mortensen
Attorney-in-Fact

EXHIBIT B

Powers of Attorney for Macquarie Group Limited and Macquarie Bank Limited incorporated by reference to 13G filings made by Macquarie Group Limited and Macquarie Bank Limited on September 9, 2011.

EXHIBIT C

JOINT FILING AGREEMENT

Macquarie Group Limited and Macquarie Investment Management Limited in compliance with Rule 13d-1(k) of the Securities Exchange Act of 1934, as amended, hereby agree that the statement on Schedule 13G to which this Agreement is attached as an exhibit is, and any amendments thereto filed by any of us will be, filed on behalf of each such company, that each such company is responsible for the timely filing of the Schedule 13G and any amendments thereto and for the completeness and accuracy of the information concerning such company contained therein.

Date: December 8, 2011

Macquarie Group Limited

/s/ Heidi Mortensen

Name: Heidi Mortensen
Title: Attorney-in Fact

/s/ Gus Wong

Name: Gus Wong
Title: Attorney-in Fact

Macquarie Investment Management Limited

/s/ Joe Flex

Name: Joe Flex
Title: Associate Director