

EMAGIN CORP  
Form 10-Q/A  
October 11, 2011

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

Form 10-Q/A

Amendment No. 1 to Form 10-Q

(Mark One)

REGULAR QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended June 30, 2010  
or

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

For the transition period from to

Commission file number 001-15751

eMAGIN CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

56-1764501  
(I.R.S. Employer  
Identification No.)

3006 Northup Way, Suite 103, Bellevue, Washington 98004  
(Address of principal executive offices)

(425) 284-5200  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 Par Value Per Share

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months). Yes " No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  
 R

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

The number of shares of common stock outstanding as of July 31, 2010 was 19,837,762.

eMagin Corporation  
 Form 10-Q/A  
 For the Quarter ended June 30, 2010

Table of Contents

	Page
<b>PART I FINANCIAL INFORMATION</b>	
<b>Item 1</b>	<b>Condensed Consolidated Financial Statements</b>
	4
	Condensed Consolidated Balance Sheets as of June 30, 2010 (Restated) (unaudited) and December 31, 2009
	4
	Condensed Consolidated Statements of Operations for the Three and Six Months ended June 30, 2010 (Restated) and 2009 (unaudited)
	5
	Condensed Consolidated Statements of Changes in Shareholders' Equity for the Six Months ended June 30, 2010 (Restated) (unaudited)
	6
	Condensed Consolidated Statements of Cash Flows for the Six Months ended June 30, 2010 (Restated) and 2009 (unaudited)
	7
	Notes to Condensed Consolidated Financial Statements (unaudited)
	8
<b>Item 2</b>	<b>Management's Discussion and Analysis of Financial Condition and Results of Operations</b>
	18
<b>Item 3</b>	<b>Quantitative and Qualitative Disclosures About Market Risk</b>
	22
<b>Item 4</b>	<b>Controls and Procedures</b>
	22
<b>PART II OTHER INFORMATION</b>	
<b>Item 1</b>	<b>Legal Proceedings</b>
	24
<b>Item 1A</b>	<b>Risk Factors</b>
	24
<b>Item 2</b>	<b>Unregistered Sales of Equity Securities and Use of Proceeds</b>
	24
<b>Item 3</b>	<b>Defaults Upon Senior Securities</b>
	24
<b>Item 4</b>	<b>Submission of Matters to a Vote of Security Holders</b>
	24
<b>Item 5</b>	<b>Other Information</b>
	24

Item 6	Exhibits	24
SIGNATURES		25
CERTIFICATIONS		

## EXPLANATORY NOTE

This Amendment No. 1 hereby amends our Quarterly Report on Form 10-Q (“Form 10-Q/A”) for the period ended June 30, 2010, which was originally filed with the Securities and Exchange Commission on August 12, 2010 (the “Original 10-Q”). This Amendment is being filed mainly to include restated financial statements as described in Note 15, Restatement, of the Notes to the Condensed Consolidated Financial Statements. The condensed consolidated financial statements are being restated to correct accounting errors as follows:

- Adoption of certain provisions of Accounting Standards Codification (“ASC”) 815 – “Derivatives and Hedging – Contracts in Entity’s Own Equity” (“ASC 815”). ASC 815 became effective January 1, 2009. The anti-dilution features in certain outstanding warrants (“Warrants”) of the Company require these Warrants to be accounted for as liabilities and measured at fair value. The restated condensed consolidated financial statements reflect the reclassification of the Warrants from shareholders’ equity to warrant liability, the cumulative effect adjustment to the opening balance of accumulated deficit and record changes in the fair value of the warrant liability in the consolidated statements of operations.
- Adoption of the two-class method for Earnings Per Share (“EPS”) calculation under ASC 260, “Earnings Per Share” (“ASC 260”). The two-class method is an earnings allocation method under which EPS is calculated for each class of common stock and participating security. Under the two-class method, securities that participate in dividends, such as the Company’s Series B Convertible Preferred stock, are considered ‘participating securities.’ The restated financial statements reflect the restated basic and diluted earnings per share, as applicable and weighted average shares outstanding calculations.

The following sections of this Form 10-Q/A have been amended to reflect the restatement:

- Part I – Item 1 – Financial Statements and Notes to the Condensed Consolidated Financial Statements
- Part I – Item 2 – Management’s Discussion and Analysis of Financial Condition and Result of Operations
- Part I – Item 4 – Controls and Procedures

For the convenience of the reader, this Form 10-Q/A sets forth the Company’s Original 10-Q in its entirety, as amended by, and to reflect the restatement, as described above. Except as discussed above, the Company has not modified or updated disclosures presented in this Amendment. Accordingly, this Amendment does not reflect events occurring after the Original 10-Q or modify or update those disclosures affected by subsequent events, except as specifically referenced herein. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the Original Filing.

This Form 10-Q/A has been signed as of a current date and all certifications of the Company’s Chief Executive Officer/Principal Executive Officer and Chief Financial Officer/Chief Accounting Officer and Principal Financial Officer are given as of a current date. Accordingly, this Form 10-Q/A should be read in conjunction with the Company’s filings with the Securities and Exchange Commission subsequent to the filing of the Original 10-Q, including any amendments to those filings.



## ITEM 1. Condensed Consolidated Financial Statements

eMAGIN CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data)

	June 30, 2010 (Restated) See Note 15 (unaudited)	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,904	\$ 5,295
Short-term investments – held to maturity	2,600	100
Accounts receivable, net	5,105	4,563
Inventory	1,545	2,179
Prepaid expenses and other current assets	516	687
Total current assets	14,670	12,824
Long-term investments – held to maturity	1,000	—
Equipment, furniture and leasehold improvements, net	1,997	1,021
Intangible assets, net	41	43
Other assets	92	92
Total assets	\$ 17,800	\$ 13,980
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,446	\$ 1,122
Accrued compensation	1,518	956
Other accrued expenses	905	791
Advance payments	187	211
Deferred revenue	117	238
Warrant liability	—	34
Other current liabilities	688	891
Total current liabilities	4,861	4,243
Warrant liability	7,208	6,844
Total liabilities	12,069	11,087
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, \$.001 par value: authorized 10,000,000 shares:		
Series B Convertible Preferred stock, (liquidation preference of \$5,679,000 at June 30, 2010) stated value \$1,000 per share, \$.001 par value: 10,000 shares designated and 5,679 issued and outstanding as of June 30, 2010 and 5,739 as of December 31, 2009	—	—
	20	17

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Common stock, \$.001 par value: authorized 200,000,000 shares, issued and outstanding, 19,837,762 shares as of June 30, 2010 and 16,967,244 as of December 31, 2009

Additional paid-in capital	204,744	193,358
Accumulated deficit	(199,033)	(190,482)
Total shareholders' equity	5,731	2,893
Total liabilities and shareholders' equity	\$ 17,800	\$ 13,980

See notes to Condensed Consolidated Financial Statements.



eMAGIN CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except share and per share data)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010 (Restated) See Note 15	2009	2010 (Restated) See Note 15	2009
Revenue:				
Product revenue	\$ 6,404	\$ 4,944	\$ 10,890	\$ 9,300
Contract revenue	1,908	908	3,349	1,696
Total revenue, net	8,312	5,852	14,239	10,996
Cost of goods sold:				
Product revenue	2,640	1,565	4,485	3,822
Contract revenue	933	488	1,697	916
Total cost of goods sold	3,573	2,053	6,182	4,738
Gross profit	4,739	3,799	8,057	6,258
Operating expenses:				
Research and development	643	392	1,377	754
Selling, general and administrative	3,137	1,941	4,819	3,470
Total operating expenses	3,780	2,333	6,196	4,224
Income from operations	959	1,466	1,861	2,034
Other income (expense):				
Interest expense	(30)	(166)	(58)	(341)
Other income, net	1	39	8	40
Change in fair value of warrant liability	(846)	(2,251)	(10,343)	(3,064)
Total other expense, net	(875)	(2,378)	(10,393)	(3,365)
Income (loss) before provision for income taxes	84	(912)	(8,532)	(1,331)
Provision for income taxes	18	—	19	—
Net income (loss)	\$ 66	\$ (912)	\$ (8,551)	\$ (1,331)

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Income (loss) per share, basic	\$	0.00	\$	(0.06)	\$	(0.47)	\$	(0.08)
Income (loss) per share, diluted	\$	0.00	\$	(0.06)	\$	(0.47)	\$	(0.08)

Weighted average number of shares outstanding:

Basic	19,338,241	16,186,482	18,230,129	16,024,400
Diluted	22,258,364	16,186,482	18,230,129	16,024,400

See notes to Condensed Consolidated Financial Statements.

eMAGIN CORPORATION  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(In thousands, except for share data)  
(unaudited)

Preferred Stock		Common Stock
Shares	Amount	Shares