MEMSIC Inc
Form 10-Q
August 14, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2013

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 No. 001-33813

MEMSIC, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**04-3457049**
(State or other jurisdiction of	(I.R.S. Employer Identification No.)

incorporation or organization)

One Tech Drive, Suite 325 **Andover, Massachusetts**	**01810**
(Address of principal executive offices)	(Zip Code)

(978) 738-0900
(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 such 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, or a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The number of shares of common stock, par value $0.00001 per share, of the registrant outstanding as of August 9, 2013 was 24,449,824.

MEMSIC, Inc.

FORM 10-Q, March 31, 2013

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

MEMSIC, Inc.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$38,583,630	$27,306,202
Restricted cash	2,743,062	2,867,896
Short-term investments	20,000,000	34,640,188
Accounts receivable, net of allowance for doubtful accounts of $8,356 and $18,774, respectively, as of June 30, 2013 and December 31, 2012	4,472,242	4,821,867
Inventories	8,619,887	9,840,659
Other current assets	2,078,356	2,285,923
Total current assets	76,497,177	81,762,735
Property and equipment, net	30,980,960	29,002,825
Long-term investments	2,500,000	2,500,000
Intangible assets, net	9,413,499	9,918,305
Other assets	137,182	144,106
Total assets	$119,528,818	$123,327,971
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$5,754,949	$3,778,672
Accrued expenses	2,913,365	3,934,975
Advance research funding	2,743,062	2,867,896
Current portion of note payable to bank	2,500,000	1,000,000
Total current liabilities	13,911,376	11,581,543
Note payable to bank, net of current portion	13,930,000	16,430,000
Building liability	8,257,988	8,135,115
Other liabilities	100,237	86,420
Total other liabilities	22,288,225	24,651,535

Stockholders' equity:		
Common stock, $0.00001 par value; authorized, 45,000,000 shares; 24,312,704 and 24,219,685 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	243	242
Additional paid-in capital	103,537,903	102,813,203
Accumulated other comprehensive income	4,898,004	4,477,071
Accumulated deficit	(25,636,990)	(20,896,074)
MEMSIC, Inc. stockholders' equity	82,799,160	86,394,442
Non-controlling interest related to joint ventures	530,057	700,451
Total stockholders' equity	83,329,217	87,094,893
Total liabilities and stockholders' equity	$119,528,818	$123,327,971

See notes to consolidated financial statements (unaudited)

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net sales	$13,179,094	$14,415,237	$24,607,377	$34,432,290
Cost of goods sold	8,225,181	8,630,850	15,494,839	21,230,804
Gross profit	4,953,913	5,784,387	9,112,538	13,201,486
Operating expenses:				
Research and development	1,917,807	1,769,201	3,863,179	3,472,360
Sales and marketing	872,237	1,228,408	2,014,303	2,660,707
General and administrative	4,075,952	2,399,923	7,019,341	4,635,995
Depreciation	342,644	378,354	668,815	817,295
Amortization	307,079	413,886	758,023	810,008
Total operating expenses	7,515,719	6,189,772	14,323,661	12,396,365
Operating (loss) income	(2,561,806)	(405,385)	(5,211,123)	805,121
Other income:				
Interest and dividend income	7,580	125,259	40,615	233,034
Foreign exchange gain (loss)	237,559	(193,190)	318,062	(225,453)
Other, net	12,374	25,468	80,365	38,641
Total other income (loss)	257,513	(42,463)	439,042	46,222
Loss before income taxes	(2,304,293)	(447,848)	(4,772,081)	851,343
Provision for income taxes	6,098	29,355	36,405	97,938
Net (loss) income	(2,310,391)	(477,203)	(4,808,486)	753,405
Less: net (loss) income attributable to noncontrolling interests	(33,393)	(15,789)	(67,570)	14,315
Net (loss) income attributable to MEMSIC, Inc.	$(2,276,998)	$(461,414)	$(4,740,916)	$739,090
Net (loss) income per common share attributable to MEMSIC, Inc.:				
Basic	$(0.09)	$(0.02)	$(0.20)	$0.03
Diluted	$(0.09)	$(0.02)	$(0.20)	$0.03
Weighted average shares outstanding used in calculating net (loss) income per common share:				
Basic	24,236,445	23,986,332	24,215,415	23,919,650
Diluted	24,236,445	23,986,332	24,215,415	24,404,777

See notes to consolidated financial statements (unaudited)

MEMSIC, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Net (loss) income	$(2,310,391)	$(477,203)	$(4,808,486)	$753,405
Other comprehensive (loss) income:				
Unrealized gain on investments	(124)	(1,054)	-	(1,057)
Foreign currency translation adjustments	344,975	(251,473)	420,933	(327,656)
Comprehensive (loss) income	(1,965,540)	(729,730)	(4,387,553)	424,692
Less: (loss) income attributable to noncontrolling interest	(33,393)	(15,789)	(67,570)	14,315
Comprehensive (loss) income attributable to MEMSIC, Inc.	$(1,932,147)	$(713,941)	$(4,319,983)	$410,377

See notes to consolidated financial statements (unaudited)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	MEMSIC, Inc. Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2012	24,219,685	$242	$102,813,203	$4,477,071	$(20,896,074)	$86,394,442	$700,451	$87,094,893
Net loss				-	(4,740,916)	(4,740,916)	(67,570)	(4,808,486)
Foreign currency translation adjustment				420,809	-	420,809	-	420,809
Unrealized loss on investment				124	-	124	-	124
Exercise of options to purchase common stock	36,051	0	77,624			77,625		77,625
Issuance of restricted stock award	61,968	1	(12,924)			(12,924)		(12,924)
Stock compensation expense			660,000			660,000		660,000
Retirement of common stock	(5,000)	(0)				(0)		(0)
Dividend paid to non-controlling interest						-	(102,824)	(102,824)
Balance at June 30, 2013	24,312,704	$243	$103,537,903	$4,898,004	$(25,636,990)	$82,799,160	$530,057	$83,329,217

See notes to consolidated financial statements (unaudited)

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MEMSIC, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30,	
	2013	**2012**
Cash flows from operating activities:		
Net (loss) income	$(4,808,486)	$753,405
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation	1,400,475	1,808,654
Amortization	824,722	805,093
Stock compensation expense	660,000	751,001
Deferred rent	13,817	(17,837)
Deferred income taxes	18,976	(3,725)
Changes in operating assets and liabilities:		
Restricted cash	168,151	833,490
Accounts receivable	238,297	1,946,748
Inventories	1,313,455	451,014
Other assets	148,300	(523,387)
Advance research funding	(168,151)	(833,490)
Accounts payable and accrued expenses	1,005,551	(4,304,093)
Net cash provided by operating activities	815,107	1,666,873
Cash flows from investing activities:		
Purchase of short-term investments	(20,000,000)	(28,075,075)
Proceeds from sale of short-term investments	34,640,000	-
Purchase of property and equipment	(2,956,171)	(1,075,088)
Net cash provided by (used in) investing activities	11,683,829	(29,150,163)
Cash flows from financing activities:		
Cash dividend paid to non-controlling interest	(102,824)	(59,129)
Proceeds from exercise of options to purchase common stock	64,701	193,538
Payment on note payable to bank	(1,000,000)	(500,000)
Net cash used in financing activities	(1,038,123)	(365,591)
Effect of exchange rate changes on cash and cash equivalents	(183,385)	(48,580)
Net increase (decrease) in cash and cash equivalents	11,277,428	(27,897,461)
Cash and cash equivalents —beginning of period	27,306,202	51,914,128
Cash and cash equivalents —end of period	$38,583,630	$24,016,667

See notes to consolidated financial statements (unaudited)

MEMSIC, Inc.

Notes to Unaudited Consolidated Financial Statements

1. NATURE OF THE BUSINESS AND OPERATIONS

MEMSIC, Inc. (the Company) was incorporated on March 3, 1999 as a Delaware corporation. The Company is a leading provider of semiconductor sensor systems solutions based on micro electromechanical systems (MEMS) technology and advanced integrated circuit design. The Company's sensor and solution products have a wide range of applications for consumer electronics, mobile phones, automotive (airbags, rollover detection, electronic stability control and navigation systems), as well as business, industrial and medical applications.

MEMSIC, Inc. maintains its corporate headquarters in Massachusetts. All manufacturing operations are provided by its wholly-owned subsidiary, MEMSIC Semiconductor (Wuxi) Company Limited (MEMSIC Semiconductor) and its indirect wholly owned subsidiary, MEMSIC Transducer Systems Company Limited (MTS), which are located in the People's Republic of China (PRC). The Company also has a majority (51%) owned and controlled joint venture, Crossbow Japan Limited (Crossbow Japan) and an indirect majority (67%) owned and controlled joint venture, MEMSIC Wuxi Wireless Sensor Network Technology Company Limited (Wuxi WSN) in the PRC.

Crossbow Japan

On February 5, 2013, the board of directors of Crossbow Japan voted to dissolve the joint venture as of March 31, 2013. On March 29, 2013, the Company, the other partner of the joint venture, Sumitomo Precision Products Co. Ltd. ("SPP") and Crossbow Japan signed a Termination Agreement to dissolve and liquidate the joint venture as of March 31, 2013. The Company expects that the liquidation and distribution of the net assets will be finalized during the year ending December 31, 2013. The Company and SPP also signed a Distributor Agreement to appoint SPP as the exclusive distributor of the Company's system solution products in Japan effective on April 1, 2013. The Company concluded that the dissolution will not represent a discontinued operation due to the significant continuing involvement as a result of the Distributor Agreement.

IDG Acquisition

On April 22, 2013, the Company entered into an Agreement and Plan of Merger to be acquired by IDG-Accel China Capital II, L.P. and its affiliates MZ Investment Holdings Limited and MZ Investment Holdings Merger Sub Limited (collectively, "IDG"), for $4.225 per share in cash. Affiliates of IDG currently hold approximately 19.5% of the company's outstanding common stock. IDG and its affiliates will acquire all the outstanding shares of common stock of MEMSIC that are not currently owned by them, including shares underlying outstanding in-the-money equity awards, for approximately $88.5 million. The merger agreement is subject to customary conditions, including a vote of the Company's stockholders, which is scheduled on September 16, 2013. The transaction is expected to close during the third quarter of 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of the Company, MEMSIC Semiconductor, MTS, Crossbow Japan and Wuxi WSN. The Company presents all of Crossbow Japan's and Wuxi WSN's assets, liabilities, revenue and expenses, as well as the non-controlling interests in joint ventures in its consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying interim consolidated financial statements are unaudited. These financial statements and notes should be read in conjunction with the audited consolidated financial statements and related notes, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, which is on file with the Securities and Exchange Commission (SEC).

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements that have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such SEC rules and regulations. In the opinion of management, the unaudited interim consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and include all adjustments (consisting of normal, recurring adjustments) necessary for the fair presentation of the Company's financial position at June 30, 2013, results of operations for the three and six months ended June 30, 2013 and 2012 and cash flows for the six months ended June 30, 2013 and 2012. The interim periods are not necessarily indicative of results to be expected for any other interim periods or for the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect at the date of the financial statements the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates.

Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

The Company has presented cash on hand associated with advance research funding received from the Chinese government as restricted cash since the cash must be maintained in a separate bank account and used only for specified research projects.

Advance Research Funding

Advance research funding represents research funding granted by the Chinese government for specific research and development projects the Company is taking on. The amount received is initially recorded as a liability and subsequently recognized as a credit to research and development expenses in the statements of operations or to the carrying value of equipment purchased for the projects as the Company performs the projects and has complied with the conditions or performance obligations attached to the related government grants. There are no conditions under which amounts utilized are required to be refunded under the terms of the grants.

Advance research funding activities for the six months ended June 30, 2013 are as follows:

	Advanced Research Funding
Balance at January 1, 2013	$2,867,896
Funds received	456,219
Research and development activities	(161,470)
Property and equipment expenditures	(462,900)
Foreign exchange rate impact	43,317
Balance at June 30, 2013	$2,743,062

Short-term Investments

Short-term investments consist primarily of bank certificate deposits, government and municipal bonds with maturities of one year or less. The Company classifies its short-term investments as “held-to-maturity”, which are carried at amortized cost.

Foreign Currency

The Company’s manufacturing operations and certain other operations are conducted by MEMSIC Semiconductor, MTS and Wuxi WSN. The functional currency of MEMSIC Semiconductor, MTS and Wuxi WSN is the Renminbi. Financial transactions between the Company and MEMSIC Semiconductor and MTS are conducted in United States dollars. At June 30, 2013 and December 31, 2012, the underlying currency for approximately 55.3% and 54.4% of consolidated assets, respectively, was the Renminbi. The functional currency of Crossbow Japan is the Japanese Yen. At June 30, 2013 and December 31, 2012, the underlying currency for approximately 0.4% and 1.4% of consolidated assets, respectively, was the Japanese Yen. The Company does not believe that it is subject to significant foreign exchange risk and, accordingly, has not utilized hedging strategies with respect to such foreign exchange exposure.

The financial statements of MEMSIC Semiconductor, MTS, Wuxi WSN and Crossbow Japan are translated into United States dollars in accordance with GAAP, utilizing the following method: assets and liabilities are translated at the exchange rate in effect at the end of the period, and revenues and expenses are translated at the weighted average exchange rate during the year. Cumulative translation gains and losses are included as a separate component of stockholders' equity and reported as a part of comprehensive income. Transaction gains and losses are included in the consolidated statements of operations as incurred.

Net Income (Loss) per Common Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing net income (loss) by the weighted-average common shares and potentially dilutive securities outstanding during the period using the treasury stock method.

Income Taxes

Deferred tax assets and liabilities relate to temporary differences between the financial reporting basis and the tax basis of assets and liabilities, the carryforward tax losses and available tax credits. Such assets and liabilities are measured using tax rates and laws expected to be in effect at the time of their reversal or utilization. Valuation allowances are established, when necessary, to reduce the net deferred tax asset to an amount more likely than not to be realized. For interim reporting periods, the Company uses the estimated annual effective tax rate except with respect to discrete items, whose impact is recognized in the interim period in which the discrete item occurred.

Inventories

Inventories are stated at the lower of cost (weighted average FIFO) or market. The Company evaluates its inventory for potential excess and obsolete inventories based on forecasted demands and records a provision for such amounts as necessary.

Revenue Recognition

The Company recognizes revenue from the sale of its products to its customers when all of the following conditions have been met: (i) evidence exists of an arrangement with the customer, typically consisting of a purchase order or contract; (ii) the Company's products have been shipped and risk of loss has passed to the customer; (iii) the Company has completed all of the necessary terms of the purchase order or contract; (iv) the amount of revenue to which the Company is entitled is fixed or determinable; and (v) the Company believes it is probable that it will be able to collect the amount due from the customer based upon an evaluation of the customer's creditworthiness. To the extent that one or more of these conditions has not been satisfied, the Company defers recognition of revenue. An allowance for estimated future product returns and sales price allowances is established at the date of revenue recognition. An allowance for uncollectible receivables is established by a charge to operations when, in the opinion of the Company, it is probable that the amount due to the Company will not be collected.

The Company sells its products to distributors as well as to end customers. Sales to distributors are made pursuant to distributor agreements, which allow for the return of goods under certain limited circumstances. Accordingly, the Company follows the following criteria for recognition of sales to distributors: (i) the selling price to the distributor is fixed or determinable at the date of shipment; (ii) the distributor's obligation to pay the selling price is not contingent on resale of the product; (iii) the Company's product has been shipped and risk of loss has passed to the distributor; (iv) it is probable that the amount due from the distributor will be collected; (v) the Company does not have significant future obligations to directly assist in the distributor's resale of the product; and (vi) the amount of future returns can be reasonably estimated. Once these criteria are met, the Company recognizes revenue upon shipment to the distributor and estimates returns based on historical sales returns.

Stock-Based Compensation

The Company accounts for share-based payments to employees based on requirements that all share-based payments to employees, including grants of employee stock options, shall be recognized in the financial statements based on their fair values. The cost of equity-based service awards is based on the grant-date fair value of the award and is recognized over the period during which the employee is required to provide service in exchange for the award (vesting period). Stock-based compensation arrangements with non-employees are accounted for utilizing the fair value method or, if a more reliable measurement, the value of the services or consideration received. The resulting compensation expense is recognized for financial reporting purposes over the term of performance or vesting.

3. LONG-TERM INVESTMENTS

Investments held by the Company at June 30, 2013 and December 31, 2012 consisted primarily of auction rate securities, or ARS, and are considered available for sale. These securities reset the interest or dividend rates by auctions held at intervals of 7, 28, 35 or 49 days, and at such dates the Company has the option to sell such securities. The auction rate securities held by the Company have a contractual maturity of greater than 10 years.

These investments are carried at fair value, with the unrealized gains and losses, if any, net of tax, reported in other comprehensive income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities are included in interest and dividend income. Quarterly, management reviews the valuation of investments and considers whether any decline in value is deemed to be other than a temporary decline.

At June 30, 2013, the Company held one ARS investment: Illinois Educational Facilities Authority Select Auction Variable Rate Securities having a value at par of $3.0 million with a maturity date in 2028. The carrying value of this investment at June 30, 2013 was $2.5 million, net of a $0.5 million temporary unrealized impairment loss. The Company has classified this investment as a long-term asset due to liquidity issues experienced in global credit and capital markets as well as failed auctions since the first quarter of 2008. A failed auction means that the amount of securities submitted for sale at auction exceeded the amount of purchase orders. If an auction fails, the issuer becomes obligated to pay interest at penalty rates, and all of the auction rate securities the Company holds continue to pay interest in accordance with their stated terms. However, the failed auctions create uncertainty as to the liquidity of these securities.

Based on the Company's expected operating cash flows, and other sources of cash, the Company does not expect the potential lack of liquidity in these investments to affect its ability to execute its current business plan in the near term.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments, accounts payable, notes payable, accrued expenses and long-term debt. The carrying amounts of the Company's financial instruments, which include cash equivalents, restricted cash, short-term investments, accounts receivable, accounts payable, notes payable and accrued expenses, approximate their fair values due to the short-term nature of the instruments. Long-term investments are measured at fair value on a recurring basis. The Company's long-term debt consists of a five-year project loan from Agricultural Bank of China and reflects currently available terms and conditions. Consequently, the carrying value of the Company's long-term debt approximates fair value.

5. FAIR VALUE MEASUREMENT

Recurring Fair Value Measurement

The Company accounts for assets and liabilities recognized or disclosed in the financial statements at fair value on a recurring basis in accordance with the provisions of ASC Topic 820.

ASC Topic 820 provides that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC Topic 820 requires the Company to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions about how market participants would price the assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

A. Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

B. Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method

C. Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost)

The following table sets forth the Company's financial instruments that are measured at fair value on a recurring basis and presents them within the fair value hierarchy using the lowest level of input that is significant to the fair value measurement at June 30, 2013 (in thousands):

	Carrying amount as of June 30, 2013	Quoted prices in active markets available (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Valuation Technique
Cash equivalents	$ 38,584	$ 38,584	$ -	$ -	(A)
Restricted cash	2,743	2,743	-	-	(A)
Short-term investments	20,000	20,000	-	-	(A)
Long-term investments	2,500	-	-	2,500	(B)
Total assets recorded at fair value	$ 63,827	$ 61,327	$ -	$ 2,500	

The reconciliation of the Company's long-term investments, consist of auction rate securities measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows (in thousands):

	Auction Rate Securities
Balance at January 1, 2013	$ 2,500
Redemptions	-
Transfers to Level 3	-
Gains and losses:	
Reported in earnings	-
Reported in other comprehensive loss	-
Balance at June 30, 2013	$ 2,500

The Company historically accounted for the ARS held in its portfolio as available-for-sale investments. The carrying value of these ARS approximated fair value due to the frequent resetting of the interest rate. While the Company continues to earn interest at the specified contractual rate on this investment, due to the illiquidity of these securities under current market conditions, the Company has considered whether par value continues to be a reasonable basis for estimating the fair value of these ARS at June 30, 2013 and December 31, 2012. The Company estimated the fair value of these securities at June 30, 2013 and December 31, 2012 using broker valuations and internally-developed models of the expected future cash flows related to the securities as well as referencing a third party specialist’s valuation. One of the more significant assumptions made in the Company’s internally-developed models was the term of expected cash flows of the underlying auction rate securities and the discount related to the illiquidity of the investment. The Company developed several scenarios for the liquidation of the auction rate securities over periods that ranged from 3 to 7 years and applied discount rates of 2.18% to 4.23% for the respective period to calculate the discounted fair value. In estimating the fair value of this investment, the Company also considered the financial condition and near-term prospects of the issuers, the magnitude of the losses compared to the investment' cost, the length of time the investment have been in an unrealized loss position, the low probability that the Company will be unable to collect all amounts due according to the contractual terms of the security, whether the security has been downgraded by a rating agency, and the Company’s ability and intent to hold the investment until the anticipated recovery in market value occurs. Based on its estimated operating cash flows and other sources of cash, the Company intends to hold these auction rate securities for the foreseeable future, if necessary.

The Company’s valuation analysis in the second quarter of 2013 did not result in a change to the unrealized impairment loss on record at December 31, 2012. As of June 30, 2013, the unrealized impairment loss is $500,000. The Company continues to monitor the market for auction rate securities and to assess its impact on the fair value of the Company’s investments. If current market conditions deteriorate further, the Company may be required to record additional temporary unrealized losses in other comprehensive loss or, if the decline in fair value is judged to be other-than-temporary, the cost basis of the individual security may be written down to fair value as a new cost basis and the amount of the write-down would be reflected as a charge to earnings.

6. INVENTORIES

Inventories consist of the following:

	June 30, 2013	**December 31, 2012**
Raw materials	$4,319,189	$4,533,002
Work in process	2,952,282	3,083,008
Finished goods	1,348,416	2,224,649
Total	$8,619,887	$9,840,659

7. INTANGIBLE ASSETS

Intangible assets relate to issued and applied-for patents on the Company’s core technology and gas meter processing know-how purchased in May 2008, as well as trademarks, customer relationships and developed technology acquired from Crossbow Technology, Inc. on January 15, 2010.

As of June 30, 2013, intangible assets consisted of the following:

	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**	**Expected life (Years)**

June 30, 2013											
Patents	$	1,647,212	$	(448,078	)	$	1,199,134				15
Know-how		563,336		(563,336	)		-				5
Trademarks		408,000		(408,000	)		-				2
Customer relationships		5,040,013		(1,952,485	)		3,087,528	8	-		10
Developed technology		7,796,364		(2,669,527	)		5,126,837	8	-		10
	$	15,454,925	$	(6,041,426	)	$	9,413,499				

Amortization expense expected over the next five years is approximately $1.5 million per year. Amortization expense amounted to $0.3 million and $0.4 million respectively for each of the three months ended June 30, 2013 and 2012.

The Company has considered the cash flows associated with the valuation of the definite-lived intangible assets and concluded that the straight line method best approximates the economic pattern of usefulness of those assets.

8. NOTE PAYABLE TO BANK

On June 30, 2010, MTS, a wholly owned subsidiary of MEMSIC Semiconductor, entered into a five-year project loan agreement with Agricultural Bank of China. The total loan available was $20 million, of which $15 million was used by the Company for the purchase of substantially all the assets acquired from Crossbow Technology, Inc., $3 million was available for working capital purposes and $2 million was available for the purchase of equipment to be used in the manufacture of the Company’s system solution products.

The loan is collateralized by the buildings and land owned by MEMSIC Semiconductor as well as the land and intellectual property owned by MTS. The interest rate of the loan is a variable rate, adjusted semi-annually based on the LIBOR rate plus 4.00%. MTS has obtained agreement from the local government in Wuxi, China to fully subsidize the interest expense on a quarterly basis. There are no financial covenants required for this loan. As of June 30, 2013, $17.9 million has been withdrawn, $1.5 million has been repaid and $16.4 million is outstanding and $2.1 million is available for borrowing. Interest expense of approximately $0.2 million is paid on a quarterly basis and is fully subsidized by the Wuxi government. Based on the terms of the agreement, there are no circumstances in which amounts previously subsidized by the Wuxi government are repayable by the Company. In the remote event the Wuxi government is unable to fulfill its obligation, the Company would recognize the interest expense in its income statement. The repayment schedule of the principal amount is as follows:

Date	Payment Amount
June 29, 2014	$2,500,000
June 29, 2015	13,930,000
	$16,430,000

9. BUILDING LIABILITY

In June 2010, the Company purchased a piece of land in Wuxi for approximately $4.0 million to build the MTS manufacturing facility. In August 2011, the Company completed construction of the MTS manufacturing facility with 14,000 square meters of total space to host the manufacturing of its system solution products. The construction cost of approximately $8.3 million was financed by the local Chinese government. In the third quarter of 2012, the Company was notified by the local Chinese government that the Company would be expected to make payments on the building beginning in February 2013. As of June 30, 2013, the Company is renegotiating with the local Chinese government the payment terms of the construction cost of the building and has not made any payments. However, since the third quarter of 2012, the Company has accrued a financing charge of $116,000 per quarter using the effective interest rate method at an annual rate of 8% on the construction cost of the building based on a 2009 memorandum with the local Chinese government. The $8.3 million construction cost of the building is reflected as a long-term liability and the accrued finance charge of $116,000 per quarter is net of the interest income in the accompanying consolidated financial statements.

10. STOCK BASED COMPENSATION

Description of Plan

On March 29, 2000, the Company's stockholders and board of directors approved the 2000 Omnibus Stock Plan (the "2000 Plan"), as amended, under which 2,969,000 shares of the Company's common stock were reserved for issuance to directors, officers, employees, and consultants. With the adoption of the 2007 Plan discussed below, the Company no longer grants awards under the 2000 Plan.

On August 22, 2007, the Company's board of directors approved the 2007 Stock Incentive Plan (the "2007 Plan"), under which up to 3,000,000 shares of the Company's common stock may become available for issuance. At the adoption date, 1,526,425 shares were reserved for issuance. The reserved amount increases by 300,000 shares at each of the five anniversaries of the adoption date, for a maximum of 3,000,000 shares issuable under the 2007 Plan.

Options granted under the 2000 Plan and the 2007 Plan may be incentive stock options or nonqualified stock options. Both the 2000 Plan and the 2007 Plan provide that the exercise price of incentive stock options must be at least equal to the market value of the Company's common stock at the date such option is granted. For incentive stock option grants to an employee who owns more than 10% of the outstanding shares of common stock of the Company, the exercise price on the incentive stock option must be 110% of market value at the time of grant. Granted options expire in ten years or less from the date of grant and vest based on the terms of the awards, generally ratably over four years.

On December 9, 2009, the Company's board of directors approved the 2009 Nonqualified Inducement Stock Option Plan (the "2009 Plan") with an effective date on January 15, 2010, the closing date of the acquisition of Crossbow assets. Under the 2009 Plan, up to 1,250,000 shares of the Company's common stock may become available for issuance. On December 23, 2010, the Company's board of directors approved an Amended and Restated 2009 Nonqualified Inducement Stock Option Plan (the "Amended and Restated Plan") and an increase in shares of the Company's common stock available for issuance under the Amended and Restated Plan from 1,250,000 to 2,500,000. Except as otherwise determined by the Compensation Committee of the Company's board of directors, the form of option to be employed under the Amended and Restated Plan shall be substantially identical to the form of nonqualified option customarily used under the Company's 2007 Stock Incentive Plan.

On June 29, 2011 at its Annual Meeting of Stockholders, the Company's stockholders and board of directors approved the amendment and restatement of the Company's 2007 Plan. The Amended and Restated 2007 Plan

permits the granting of restricted stock units ("RSU"), performance-based stock awards and stock appreciation rights;

eliminates the ability to reprice options;

extends the expiration date of the plan to June 29, 2021;

provides that awards may qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended; and

incorporates certain other administrative provisions.

The approval of the amendment and restatement of the 2007 Plan does not change the number of shares available for awards under the 2007 Plan.

On June 28, 2012, the Company's shareholders voted to approve an amendment to the Company's amended and restated 2007 stock incentive plan, including increasing the number of shares of common stock issuable under the 2007 Plan by 1,500,000 shares. The maximum shares issuable under the 2007 Plan thus increased to 4,500,000 shares.

Valuation of Stock Options

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an option award. The key input assumptions used in the Black-Scholes option pricing model include: (i) the risk-free interest rate, which is based on the yield available on U.S. Treasury zero-coupon bonds at the date of grant with maturity dates approximately equal to the expected life at the grant date, (ii) the expected life of the options, which is based on evaluations of historical and expected future employee exercise behavior; (iii) volatility, which is based on the implied volatility of the Company's common stock, which the Company believes results in the best estimate of the grant-date fair value of employee stock options because it reflects the market's current expectations of future volatility; and (iv) dividend yield of zero, as the Company has not paid dividends in the past and it does not expect to in the foreseeable future. Prior to January 1, 2010, due to limited historical information on the volatility of the Company's common stock, the Company determined the volatility for options based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The Company utilizes historical data to estimate pre-vesting forfeitures and records stock-based compensation expense only for those awards that are expected to vest.

No options were granted during the three and six months ended June 30, 2013. The weighted-average fair value per share of the options granted during the three and six months ended June 30, 2012 was $2.23, utilizing the following assumptions:

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Volatility	NA	67 % - 71 %	NA	67 % - 71 %
Expected dividend yield	0 %	0 %	0 %	0 %
Expected life (years)	NA	6.3 - 8.5	NA	6.3 - 8.5
Risk free interest rate	NA	1.15 % - 1.44 %	NA	1.15 % - 1.44 %
Forfeitures	33 %	33 % - 36 %	33 %	33 % - 36 %

The Company accounts for stock options granted to consultants using the fair value method for the calculation of compensation cost. For the three months ended June 30, 2013 and 2012, the Company recorded compensation expense for stock option grants to consultants in the amount of approximately $4,800 and $1,000, respectively. At June 30, 2013, total unrecognized stock-based compensation expense for stock options granted to consultants was $28,000.

At June 30, 2013, total unrecognized stock-based compensation expense for stock options granted to the Company's employees and directors was approximately $1.2 million.

The stock option activity under the 2000, 2007 and 2009 Stock Plan is as follows:

	Options Outstanding	**Weighted Average Exercise Price**	**Remaining Contractual Term in Years**	**Aggregrate Intrinsic Value**
Options outstanding at January 1, 2013	2,635,500	$ 4.59	6.3	$ 2,014,390
Granted	-	-	-	-
Exercised	(36,051)	2.15		-
Cancelled	(69,825)	3.65	-	-
Options outstanding at June 30, 2013	2,529,624	$ 4.60	5.9	$ 3,264,912
Options vested at June 30, 2013	1,463,692	$ 4.56	4.7	$ 1,954,567
Available for grant at June 30, 2013	4,229,462			

The intrinsic values (aggregate market value minus aggregate exercise price) of stock options exercised during the three months ended June 30, 2013 and 2012 were $28,000 and $269,500, respectively. The total fair value of options vested during the three and six months ended June 30, 2013 was approximately $224,000 and $278,000, respectively. The total fair value of options vested during the three and six months ended June 30, 2012 was approximately $189,000 and $504,000, respectively.

Stock-based compensation expenses related to stock options, restricted stock awards (“RSAs”) and RSUs were charged to the following expenses:

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Research and development	$30,464	$42,616	$104,369	$86,869
Sales and marketing	18,802	22,437	52,935	90,158
General and administrative	291,598	363,021	502,696	573,974
Total	$340,864	$428,074	$660,000	$751,001

The Company accounted for RSAs and RSUs using the fair value at the date of the grant for the calculation of compensation cost. For the three and six months ended June 30, 2013, the Company recorded compensation expense for RSAs and RSUs in the amount of $152,000 and $334,000 respectively. For the three and six months ended June 30, 2012, the Company recorded compensation expense for RSAs and RSUs in the amount of $207,000 and $344,000, respectively.

As of June 30, 2013, total unrecognized compensation expenses related to non-vested RSAs and RSUs were $95,000 and $751,000, respectively. These expenses are expected to be recognized over a weighted average period of 1.8 years for RSAs and 2.5 years for RSUs.

A summary of RSA activity for the six months ended June 30, 2013 is as follows:

	Shares	Weighted Average Market Value at Grant Date
Nonvested at January 1, 2013	52,500	$ 3.41
Awarded	-	-
Vested	(17,500)	-
Forfeited	-	-
Nonvested at June 30, 2013	35,000	$ 3.41

A summary of RSU activity for the six months ended June 30, 2013 is as follows:

	Shares	Weighted Average Market Value at Grant Date
Nonvested at January 1, 2013	640,917	$ 3.08
Awarded	-	-
Vested	(113,833)	-
Forfeited	(66,000)	-
Nonvested at June 30, 2013	461,084	$ 3.02

11. COMMON STOCK

The Company reserved 7,255,170 and 7,194,229 shares at June 30, 2013 and 2012, respectively for issuance upon exercise of options to purchase common stock and upon vesting of RSUs.

12. NET INCOME (LOSS) PER COMMON SHARE

The calculation of the numerator and denominator for basic and diluted net income (loss) per common share is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Numerator:				
Net (loss) income attributable to MEMSIC, Inc.	$(2,276,998)	$(461,414)	$(4,740,916)	$739,090
Denominator:				
Basic weighted average shares	24,236,445	23,986,332	24,215,415	23,919,650
Dilutive effect of common stock equivalents	-	-	-	485,127
Diluted weighted average shares	24,236,445	23,986,332	24,215,415	24,404,777
Net (loss) income per common share to MEMSIC, Inc.				
Basic	$(0.09)	$(0.02)	$(0.20)	$0.03
Diluted	$(0.09)	$(0.02)	$(0.20)	$0.03

During the six months ended June 30, 2013 and 2012, the Company had 0.7 million and 1.5 million, respectively, potential common shares in the form of stock options and RSUs which were not included in the computation of net income (loss) per diluted share because these stock options and RSUs would be anti-dilutive.

13. SEGMENT INFORMATION

The Company conducts its operations and manages its business in two reporting segments. The Company develops, designs, manufactures and markets (i) semiconductor sensor products ("sensor products") based on micro-electromechanical systems (MEMS) technology and advanced integrated circuit design and (ii) sensor system solution products ("system solution products") which incorporate sensors with on-board computing, wireless communications and systems and application software solutions. In making operating decisions, the Company's chief executive officer, who is the chief operating decision maker, considers the gross profit results of the sensor product reporting unit and the system solution product reporting unit separately, but utilizes enterprise wide operating expense and earning results. As the management resources and certain assets are shared between the reporting segments, it is not practical to report the earnings and assets separately.

Revenues by product application

The categorization of revenue by product application is determined using a variety of data points including the technical characteristics of the product, the end customer product and application into which the Company's product will be incorporated, and requires substantial judgment. Set forth below are the Company's revenues by product application for the periods presented.

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Mobile phone	$7,194,949	$5,890,070	$12,714,831	$17,636,794
Consumer	1,393,151	2,394,135	2,322,089	3,818,912
Automotive	3,366,067	3,376,209	6,549,404	7,069,912
Industrial/other	1,224,927	2,754,824	3,021,053	5,906,672
Total	$13,179,094	$14,415,237	$24,607,377	$34,432,290

Revenues and gross profit by product type

The following table summarizes revenue and gross profit by product categories.

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Revenue				
Sensor products	$12,351,420	$12,004,181	$22,362,323	$29,212,198
System solution products	827,673	2,411,056	2,245,053	5,220,092
Total	$13,179,094	$14,415,237	$24,607,377	$34,432,290

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Gross Profit				
Sensor products	$4,590,462	$4,462,567	$8,206,125	$10,467,274
System solution products	363,451	1,321,820	906,413	2,734,212
Total	$4,953,913	$5,784,387	$9,112,538	$13,201,486

Revenues by geographical region

Revenue by geographic region, based upon customer location, for the three and six months ended June 30, 2013 and 2012 was as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
Asia (excluding Japan)	$8,150,366	$7,106,611	$14,522,007	$19,831,847
Europe	818,397	954,874	1,580,701	1,981,968
Japan	559,305	2,848,416	1,779,238	5,086,233
North America	3,629,496	3,484,788	6,680,550	7,491,786
Other	21,530	20,548	44,881	40,456
Total	$13,179,094	$14,415,237	$24,607,377	$34,432,290

Total Assets by geographical region

Total assets by geographical region are as follows:

	June 30, 2013	**December 31, 2012**
United States	$52,995,947	$54,509,508
China	66,067,051	67,146,027
Japan	465,820	1,672,436
Total	$119,528,818	$123,327,971

Total long-lived assets by geographical region are as follows:

	June 30, 2013	December 31, 2012
United States	$629,899	$517,960
China	30,351,061	28,484,568
Japan	-	297
Total	$30,980,960	$29,002,825

Total net assets by geographical region are as follows:

	June 30, 2013	December 31, 2012
United States	$55,417,208	$58,775,602
China	27,888,977	27,994,626
Japan	23,032	324,665
Total	$83,329,217	$87,094,893

14. CONTINGENCIES

On September 11, 2011, Trilogy Marketing, Inc. (Trilogy) commenced an action in the United States District Court for the Eastern District of Michigan, in which it alleges that MEMSIC has failed to pay sales representative commissions to Trilogy. The Company has not concluded that a loss of any magnitude in this matter is probable, and is unable to estimate the range of potential loss, if any, that might arise from this matter.

On April 22, 2013, the Company entered into an Agreement and Plan of Merger, referred to herein as the “merger agreement,” pursuant to which the Company will be acquired by IDG Accel China Capital II, L.P. and its affiliates MZ Investment Holdings Limited, referred to herein and in the merger agreement as “Parent,” and MZ Investment Holdings Merger Sub Limited (collectively, “IDG”), for $4.225 per share in cash. The merger agreement is filed as Exhibit 2.1 to this Report. Affiliates of IDG currently hold approximately 19.5% of the company’s outstanding common stock. IDG and its affiliates will acquire all the outstanding shares of common stock of MEMSIC that are not currently owned by them, including shares underlying outstanding in-the-money equity awards, for approximately $88.5 million. The merger agreement is subject to customary conditions, including a vote of the Company’s stockholders. The transaction is expected to close during the third quarter of 2013.

Under the merger agreement, the Company is obliged to pay Parent a termination fee of up to $1.77 million in the event the merger agreement is terminated:

- by Parent, if the Company’s board of directors changes its recommendation in favor of the merger, or if the Company materially breaches its non-solicitation obligations in the merger agreement;

- by either Parent or the Company, if the merger has not been consummated by April 22, 2014, or by Parent, if a material breach by the Company of its representations, warranties or covenants in the merger agreement results in the inability to comply with closing conditions set forth in the merger agreement by such date, and assuming, in each case that:

  - o a Competing Transaction (as such term is defined for this purpose in the merger agreement) is announced and not withdrawn; and

  - o the Company consummates a Competing Transaction within 12 months of the termination of the merger agreement;

- by either Parent or the Company, if the Company’s stockholders do not adopt the merger agreement and a Competing Transaction has been publicly announced or made known, and not withdrawn; and by the Company, if the Company's board of directors approves, and the Company enters into, a definitive agreement with respect to a Superior Proposal (as such term is defined in the merger agreement).

In general, neither Parent nor the Company may terminate the merger agreement if such party is in breach of its obligations under the agreement, or if such breach causes or contributes to the failure of a condition to the consummation of the merger.

On May 14, 2013, a putative class action captioned Spencer v. Zhao et al., C.A. No. 13-1771-BLS, was filed in Massachusetts Superior Court in Suffolk County against the Company, its directors and certain other parties. The amended complaint alleges, among other things, that the directors breached their fiduciary duties in connection with their consideration and approval of the merger agreement and seeks an award of monetary damages in an unspecified amount and injunctive relief to prevent the consummation of the merger. While the Company and the other defendants believe that the allegations made in the lawsuit are without merit, to minimize the expense and uncertainty of litigation the Company and the other defendants have entered into a memorandum of understanding with the plaintiff dated July 29, 2013 (the ""MOU''). In the MOU, the parties agreed to settle the lawsuit subject to certain conditions and without admitting any liability. The MOU includes an agreement in principle to negotiate and execute a final settlement agreement which would provide for the release and settlement by the Company's stockholders of all claims against the Company and the other defendants, in exchange for which the Company would supplement the proxy statement for the merger with certain additional disclosures. The settlement will not affect the amount of the merger consideration that the Company's stockholders are entitled to receive in the merger. The settlement is contingent upon plaintiff's completion of confirmatory discovery and is subject to the approval of the Massachusetts Superior Court. The Company expects that plaintiff's counsel will seek an award of attorneys' fees and expenses as part of the settlement. No demand for such fees and expenses has been made at this time and the Company is unable to estimate the range of potential loss, if any, that might arise from this matter.

The Company may be subject to claims that arise out of the ordinary course of business in legal disputes. In management's opinion, these matters will not have a material adverse effect on the financial position of the Company.

15. SUBSEQUENT EVENTS

The Company evaluated subsequent events occurring after June 30, 2013 through the date of filing of the Quarterly Report on Form 10-Q in which these financial statements are included, and concluded that except noted above, there was no event of which management was aware that occurred after the balance sheet date that would require any adjustment to the accompanying consolidated financial statements.

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

This information should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in Item 1 of Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

This quarterly report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include any expectation of earnings, revenues,or other financial items; any statements of the plans, strategies and objectives of management for future operations; factors that may affect our operating results; statements concerning new products or services; statements related to future capital expenditures; statements related to future economic conditions or performance; statements as to industry trends and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. These statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "will," "plan," "target," "continue," and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this Form 10-Q and in our other filings