

ECHELON CORP  
Form 10-Q  
August 09, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 10 Q

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(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 \_\_\_\_\_

000-29748

(Commission file number)

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ECHELON CORPORATION

(Exact name of registrant as specified in its charter)

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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 July 31, 2013, 43,243,997 shares of the registrant's common stock were outstanding.



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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)

	June 30, 2013	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$16,751	\$18,876
Short-term investments	42,980	42,979
Accounts receivable, net <sup>1</sup>	15,179	15,725
Inventories	6,976	11,729
Deferred cost of goods sold	1,342	846
Other current assets	2,955	2,662
Total current assets	86,183	92,817
Property and equipment, net	20,245	21,777
Goodwill	8,242	8,276
Other long term assets	698	713
Total assets	\$115,368	\$123,583
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$6,207	\$8,551
Accrued liabilities	7,013	4,637
Current portion of lease financing obligations	2,147	2,056
Deferred revenues	6,028	4,912
Total current liabilities	21,395	20,156
<b>LONG-TERM LIABILITIES:</b>		
Lease financing obligations, excluding current portion	17,081	18,185
Other long-term liabilities	2,829	1,447
Total long-term liabilities	19,910	19,632
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock	465	463
Additional paid-in capital	353,530	352,589
Treasury stock	(28,130)	(28,130)
Accumulated other comprehensive income	232	509
Accumulated deficit	(253,307)	(243,233)
Total Echelon Corporation stockholders' equity	72,790	82,198
Noncontrolling interest in subsidiary	1,273	1,597
Total stockholders' equity	74,063	83,795
Total liabilities and stockholders' equity	\$115,368	\$123,583

<sup>1</sup> Includes related party receivable of \$5.4 million and \$1.6 million as of June 30, 2013 and December 31, 2012, respectively

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues:				
Product	\$24,208	\$39,845	\$48,458	\$79,331
Service	628	977	1,560	1,824
Total revenues <sup>(2)</sup>	24,836	40,822	50,018	81,155
Cost of revenues:				
Cost of product <sup>(1)</sup>	12,558	24,230	25,636	46,680
Cost of service <sup>(1)</sup>	323	523	651	1,108
Total cost of revenues	12,881	24,753	26,287	47,788
Gross profit	11,955	16,069	23,731	33,367
Operating expenses:				
Product development <sup>(1)</sup>	5,122	7,393	11,866	