MDC HOLDINGS INC
Form SC 13G/A
February 13, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT

TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)

(Amendment No. 3)*

M.D.C. HOLDINGS, INC.

(Name of Issuer)

COMMON STOCK

(Title of Class of Securities)

552676108

(CUSIP Number)

December 31, 2005

(Date of Event which Requires Filing of Statement)

Check the appropriate box to designate the Rule pursuant to which this Schedule is filed:

x Rule 13d 1(b)

¨ Rule 13d 1(c)

¨ Rule 13d 1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes.)

(Continued on following page(s))

45 First Avenue	
Waltham, Massachusetts	02451
(Address of Principal Executive Offices)	(Zip Code)

(781) 622-1120
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company þ
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. ¨

Item 8.01 Other Events

On December 27, 2018, Tecogen Inc. (the “Corporation”) entered into Waiver No. 2 under Credit Agreement dated May 4, 2018 (the “Credit Agreement”) among the Corporation, American DG Energy Inc., and TTcogen LLC (collectively, “Borrowers”) and Webster Business Credit Corporation (“Lender”) pursuant to which Lender waived Borrowers' non-compliance with the fixed charge coverage ratio covenant under the Credit Agreement for the period ended September 30, 2018, which was calculated within sixty days following such date as required by the Credit Agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

TECOGEN INC.

By: /s/ Bonnie Brown

December 28, 2018 Bonnie Brown, Principal Financial & Accounting Officer

oman" SIZE="2">PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

9.2%

12

TYPE OF REPORTING PERSON*

IA

*** SEE INSTRUCTIONS BEFORE FILLING OUT!**

Item 1 (a). Name of Issuer:

M.D.C. Holdings, Inc.

Item 1 (b). Address of Issuer s Principal Executive Offices:

3600 S. Yosemite St, Suite 900

Denver, Colorado 80237

Item 2 (a). Name of Person Filing:

Marsico Capital Management, LLC

Item 2 (b). Address of Principal Business Office or, if None, Residence:

1200 17th Street, Suite 1600

Denver, Colorado 80202

Item 2 (c). Citizenship:

Delaware

Item 2 (d). Title of Class of Securities:

Common Stock

Item 2 (e). CUSIP Number:

552676108

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

(a) ¨ Broker or dealer registered under Section 15 of the Exchange Act.

(b) ¨ Bank as defined in Section 3(a)(6) of the Exchange Act.

(c) ¨ Insurance company as defined in Section 3(a)(19) of the Exchange Act.

(d) ¨ Investment company registered under Section 8 of the Investment Company Act.

(e) x An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f) ¨ An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) ¨ A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);

(h) ¨ A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) ¨ A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j) ¨ Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box. ¨

Item 4. Ownership:

With respect to the beneficial ownership of the reporting person, see Items 5 through 11 of the cover pages to this Schedule 13G, which are incorporated herein by reference.

Item 5. Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. ¨

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below each of the undersigned certifies that, to the best of such undersigned s knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

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.

Dated: February 13, 2006

Marsico Capital Management, LLC

By: /s/ Steven R. Carlson

Name: Steven R. Carlson
Title: Executive Vice President, Chief Compliance Officer

th="4%" valign="top" style="padding:3.0pt 3.0pt 3.0pt 3.0pt;width:4.38%;">

(e)

o

An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f)

o

An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g)

o

A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);

(h)

o

A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i)

o

A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j)

o

Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box. x

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of issuer identified in Item 1.

(a) Amount beneficially owned:

Chelmax beneficially owns 330,222 shares.

Mr. Stockamp beneficially owns 270,589 shares and by reason of being Chairman, Chief Executive Officer and sole Director and the holder of a majority of the voting power of Chelmax, may also be deemed to beneficially own the securities of Huron owned by Chelmax.

(b) Percent of class:

Chelmax: 1.6% of the outstanding Common Stock of Huron.

Mr. Stockamp may be deemed to beneficially own 2.9% the outstanding Common Stock of Huron.

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

Chelmax: 0.

Mr. Stockamp: 270,589.

(ii) Shared power to vote or to direct the vote:

Chelmax: 330,222.

Mr. Stockamp: 330,222.

(iii) Sole power to dispose or to direct the disposition of:

Chelmax: 0.

Mr. Stockamp: 270,589.

(iv) Shared power to dispose or to direct the disposition of:

Chelmax: 330,222.

Mr. Stockamp: 330,222.

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. x

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

n/a

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

n/a

Item 8. Identification and Classification of Members of the Group.

n/a

Item 9. Notice of Dissolution of Group.

n/a

Item 10. **Certifications.**

(a) n/a

(b) By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

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.

February 11, 2009
(Date)

CHELMAX, INC.

By: /s/ DALE R. STOCKAMP
(Signature)

Dale R. Stockamp, Chairman and Chief Executive Officer
(Name/Title)

February 11, 2009
(Date)

/s/ DALE R. STOCKAMP
(Signature)

Dale R. Stockamp
(Name)

ft"> 353,584 Amortization Senior Debt Discount* — 752,248 Income (Loss) from Discontinued Operations — (747,580) Gain (Loss) on Disposal of Discontinued Operations — 5,837,607 Provision (Benefit) for Income Taxes (Note 21) — 19,800 — 5,817,807 Net Income (Loss) from Discontinued Operations $— $5,070,227 Basic Income (Loss) per Share $— $1.43 Diluted Income (Loss) per Share $— $1.43 Weighted-average Shares Outstanding Basic (Note 6) — 3,536,865 Weighted-average Shares Outstanding Diluted (Note 6) — 3,651,100

* Amounts reported represent the interest expense and the amortization of the discount on the Senior Term debt that was required to be repaid from the proceeds of the TDG Asset sale.

F-15

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5 — Gain on Asset Disposal

In an effort to improve working capital, cure then existing debt defaults and pay down debts, on June 15, 2012, the Company entered into an Asset Purchase Agreement (the "Agreement") between the Company and TDG Acquisition Company, LLC, a Delaware limited liability company ("TDG"). Pursuant to the Agreement, the Company sold and licensed those of its assets (including equipment, tooling, certain patents and trademarks) (the "TDG Assets") that comprised its tactical defense group, which engaged in the business of selling and licensing products and providing services, directly and indirectly, to military, defense and security organizations (the "Business"). The Business included sale of the Company's proprietary Tac-Eye displays and its night vision electronics and optics module products. The Company received a worldwide, royalty free, assignable grant-back license to all the patents and other intellectual property sold to TDG, for use in the manufacture and sale of products other than in the military, defense and security markets. The Company retained the right to sell goods and services to other end user consumers, and to TDG and TDG and the Company jointly received the right to sell goods and services into all markets other than the military, defense and security markets and the consumer market. Each party agreed to refer to the other, business opportunities for the sale of products and services in its markets. Also pursuant to the Agreement, the Company and TDG entered into a Vuzix Authorized Reseller Agreement, pursuant to which TDG is authorized as the exclusive reseller of the Company's current and future products to military, defense and security organizations, unless TDG elects to have the Company make such sales directly.

The purchase price paid to the Company by TDG consists of two components: $8,345,793 net of adjustments, which was paid at closing, and up to an additional $2.5 million, which would be received only if TDG achieves certain quarterly and annual revenue targets from sales of goods and services to military, defense and security organizations. None of the $2.5 million was received during the measurement period. The purchase price was determined by arm's length negotiations between the parties.

The following represents the major components of the reported gain on sale:

Net Sales Price	$8,345,793
Less:	
Professional Fees on Sale of Assets	(825,596)
Accounts Receivable Sold	(299,599)

Inventories Sold	(1,135,042)
Tooling & Equipment Sold	(120,832)
Patents and Trademarks Sold	(113,117)
Federal Income Tax	(19,800)
Sales Taxes on Asset Sale	(14,000)
Net Gain on Sale of Asset	$5,817,807

Note 6 — Net Earnings (Loss) Per Share (EPS)

ASC 260-10 “Earnings Per Share” requires the Company to calculate its net income (loss) per share based on basic and diluted net income (loss) per share, as defined. Basic EPS excludes dilution and is computed by dividing net income (loss) by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The dilutive effect of outstanding options and warrants issued by the Company, are reflected in diluted EPS using the treasury stock method. Under the treasury stock method, options and warrants will generally have a dilutive effect when the average market price of common stock during the period exceeds their exercise price. The dilutive effect of any outstanding convertible debt issued by the Company is reflected in diluted EPS using the if-converted method. For periods of net loss, basic and diluted EPS are the same as the assumed exercise of stock options and warrants and the conversion of convertible debt are anti-dilutive.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31, 2013	2012
Net (Loss) from Continuing Operations (A)	$(10,146,228)	$(4,747,387)
Net Income (Loss) (B)	$(10,146,228)	$322,840
Add - Interest savings from converted debt	—	114,537
Adjusted Diluted Net Income (Loss) (F)	$(10,146,228)	$437,377
Weighted Average Shares Outstanding:		
Weighted average basic shares outstanding (C)	5,988,595	3,536,865
Dilutive effect of options and warrants	2,984,199	31,354
Dilutive effect of convertible debt	-	82,881
Weighted Average Dilutive Shares Outstanding (D)	8,972,794	3,651,100
Earnings (Loss) Per Share From Continuing Operations		
Basic (A/C)	$(1.69)	$(1.34)
Diluted (1) (2)	$(1.69)	$(1.34)
Earnings (Loss) Per Share		
Basic (B/C)	$(1.69)	$0.09
Diluted (F/D) (1)	$(1.69)	$0.09

(1) Due to net loss for period, dilutive loss per share is the same as basic.

(2) Due to the antidilutive impact of the convertible debt under the if-converted method, the diluted earnings per share is the same as basic.

Note 7 — Accounts Receivable, Net

Accounts receivable consisted of the following:

	December 31, 2013	December 31, 2012
Accounts Receivable	$ 214,920	$ 170,600

Less: Allowance for Doubtful Accounts	—	—
Net	$ 214,920	$ 170,600

Note 8 — Inventories, Net

Inventories consisted of the following:

	December 31, 2013	December, 31, 2012
Purchased Parts and Components	$ 1,094,250	$ 945,550
Work in Process	153,065	46,259
Finished Goods	280,279	259,112
Less: Reserve for Obsolescence	(573,967)	(563,740)
Net	$ 953,627	$ 687,181

F-17

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 9 — Deferred Offering Costs

Deferred offering costs consist principally of legal, accounting and underwriters' fees incurred related to the public offering of the Company's common stock and warrants as discussed in Note 3, which were charged to capital as of the completion of the offering on August 5, 2013.

	December 31, 2013	December 31, 2012
Professional and agents' fees paid	$ —	$ 57,500
Professional and agents' fees included Accrued Expenses	—	142,071
Total	$ —	$ 199,571

Note 10 — Tooling and Equipment, Net

Tooling and equipment consisted of the following:

	December 31, 2013	December 31, 2012
Tooling and Manufacturing Equipment	$ 1,748,006	$ 1,685,006
Computers and Software	645,429	615,567
Furniture and Equipment	749,233	763,134
	$ 3,142,668	$ 3,063,707
Less: Accumulated Depreciation	(2,696,339)	(2,398,740)
Net	$ 446,329	$ 664,967

Total depreciation expense for tooling and equipment for the years ending December 31, 2013 and 2012 was $322,861 and $409,421, respectively.

Note 11 — Patents and Trademarks, Net

	December 31, 2013	December 31, 2012
Patents and Trademarks	$ 777,593	$ 803.687
Less: Accumulated Amortization	(281,985)	(252,380)
Net	$ 495,608	$ 551,307

Total amortization expense for patents and trademarks for the years ending December 31, 2013 and 2012 it was $54,979 and $59,396, respectively. The estimated aggregate annual amortization expense for each of the next five fiscal years is $50,058. We recorded an impairment charge of $73,423 representing cost of $98,798, less accumulated amortization of $25,375 for the year ending December 31, 2013. We recorded an impairment charge of $64,703 representing cost of $171,868, less accumulated amortization of $107,165 for the year ending December 31, 2012 regarding our abandoned patents and trademarks.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 12 — Software Development Costs

	December 31, 2013	December 31, 2012
Software Development Costs	$ 240,561	$ —
Less: Accumulated Amortization	—	—
Net	$ 240,561	$ —

Total amortization expense for capitalized software development costs for the years ending December 31, 2013 and 2012 was $-0-, respectively. These costs will be amortized over 3 years. No amortization was recorded in 2013 because the related software project was not completed as of December 31, 2013.

Note 13 — Lines of Credit

The Company has available a $112,500 line of credit with interest payable at the bank's prime rate plus 1%. The line is unsecured and personally guaranteed by an officer of the Company. The outstanding balance on this line of credit amounted to $-0- and $112,500 at December 31, 2013 and 2012, respectively.

Note 14 — Notes Payable

Notes payable represent promissory notes payable by the Company.

	December 31, 2013	December 31, 2012

Note payable to officers and shareholders of the Company. Principal along with accrued interest is payable on demand and paid on December 31, 2014. The notes bear interest at 18.5% and secured by all the assets of the Company.	$ 229,787	$ 165,738
Note payable secured by all the assets of Company and the guarantee of its President and CEO. The effective interest rate is 31%. The note is to be repaid in 12 blended monthly payments of $5,645.	37,383	46,737
Note payable to an officer of the Company due on December 31, 2013. The note bears interest at 7.49% and monthly principal payments of $2,691 plus accrued interest are required. The note is secured by all the assets of the Company.	11,297	45,734
	$ 278,467	$ 258,209

Note 15 — Customer Deposits

Customer deposits represents money the Company received in advance of providing a product or engineering services to a customer. These deposits include against unfulfilled deliverables of multiple-element products, including unspecified post-delivery support and software updates. Included in Customer Deposits is Unearned Revenue of $39,700 as of December 31, 2013 as compared to $-0- in 2012. All such deposits are short term in nature as the Company delivers the product, unfulfilled portions or engineering services to the customer before the end of its next annual fiscal period. These deposits are credited to the customer against product deliveries or at the completion of their order.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 16 — Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2013	December 31, 2012
Accrued Wages and Related Costs	$91,385	$31,197
Accrued Compensation	360,670	181,322
Accrued Professional Services	69,500	181,227
Accrued Warranty Obligations	31,619	93,788
Other Accrued Expenses	1,090	32,138
Total	$554,264	$519,672

The Company has warranty obligations in connection with the sale of certain of its products. The warranty period for its products is generally one year except in European countries where it is two years. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. The Company estimates its future warranty costs based on product-based historical performance rates and related costs to repair.

The changes in the Company's accrued warranty obligations for the years ended December 31, 2013 and 2012 were as follows:

Accrued Warranty Obligations at December 31, 2011	$118,611
Reductions for Settling Warranties	(126,308)
Warranty Issued During Year	101,485
Accrued Warranty Obligations at December 31, 2012	$93,788
Reductions for Settling Warranties	(74,287)
Warranty Issued During Year	12,118
Accrued Warranty Obligations at December 31, 2013	$31,619

Note 17 – Derivative Liability and Fair Value Measurements

The Company recognized a derivative liability for the warrants to purchase 186,480 shares of its common stock issued in connection with the $800,000 convertible senior secured debenture issued on March 21, 2013. These warrants have a cashless exercise provision effective six months after the issuance date and an exercise price that is subject to adjustment in the event of subsequent equity sales at a lower purchase price (subject to certain exceptions) within the first six months. In accordance with ASC 820-10-35 we measured the derivative liability using a Black-Scholes pricing model at the March 21, 2013 issuance date. On September 21, 2013, the exercise price adjustment feature expired causing the warrants to no longer require derivative accounting treatment. Accordingly the derivative liability was marked to market on September 21, 2013 and the fair value of $526,245 related to these warrants was reclassified to Additional Paid-in Capital. See Note 23: Warrants for additional information on the warrants issued.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company recognized a derivative liability for the warrants to purchase 38,168 shares of its common stock issued in connection with the $200,000 convertible senior secured debenture issued on July 15, 2013. These warrants have a cashless exercise provision effective six months after the issuance date and an exercise price that is subject to adjustment in the event of subsequent equity sales at a lower purchase price (subject to certain exceptions) within the first six months. In accordance with ASC 815-10-25, we measured the derivative liability using a Monte Carlo Options Lattice pricing model at the July 15, 2013 issuance date and subsequently remeasured the liability on December 31, 2013. See Note 23: Warrants for additional information on the warrants issued.

The Company recognized a derivative liability for the warrants to purchase 6,004,288 shares of its common stock issued in connection with the equity offering and related debt conversions issued on August 5, 2013. These warrants have a cashless exercise provision and an exercise price that is subject to adjustment in the event of subsequent equity sales at a lower purchase price (subject to certain exceptions) along with full-ratchet anti-dilution provisions. In accordance with ASC 815-10-25, we measured the derivative liability using a Lattice pricing model at the August 5, 2013 issuance date and subsequently remeasured the liability on December 31, 2013. See Note 23: Warrants for additional information on the warrants issued.

The Company recognized a derivative liability for the warrants to purchase 127,717 shares of its common stock issued in connection with obtaining the permission of the Company's senior debt holders for its August 5, 2013 public equity offering. These warrants have a cashless exercise provision effective six months after the issuance date and an exercise price that is subject to adjustment in the event of subsequent equity sales at a lower purchase price (subject to certain exceptions) within the first six months. In accordance with ASC 815-10-25, we measured the derivative liability using a Lattice pricing model at the August 5, 2013 issuance date and subsequently remeasured the liability on December 31, 2013. On September 21, 2013 the exercise price adjustment feature expired for 102,357 of these warrants, causing these warrants to no longer require derivative accounting treatment. Accordingly the associated derivative liability was marked to market on September 21, 2013 and these warrants were reclassified to Additional Paid-in Capital. The remaining 25,360 warrants were subsequently remeasured as December 31, 2013. See Note 23: Warrants for additional information on the warrants issued.

Accordingly, at the end of each quarterly reporting date the derivative fair market value is remeasured and adjusted to current market value. The total derivative liability was revalued to $12,035,816 based on the closing price of our common shares as of December 31, 2013, resulting in a loss of $3,575,278 on the derivative's valuation for the year ending December 31, 2013 and $-0- for the same period in 2012.

The Company concluded that the Put embedded in the senior secured convertible debentures in the event of the Company's default under the Debenture had such minimal value that it did not record an additional and separate liability for this contingency. Both debentures were repaid in full on August 5, 2013.

The Company has adopted ASC Topic 820 (originally issued as SFAS 157, "Fair Value Measurements") for financial instruments measured at fair value on a recurring basis. ASC Topic 820 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at December 30, 2013:

	Total	(Level 1)	(Level 2)	Level (3)
Assets	$—	$ —	$ —	$—
Total assets measured at fair value	—	—	—	—
Liabilities				
Derivative Liability	12,035,816	—	—	12,035,816
Total liabilities measured at fair value (Long-Term)	$12,035,816	$ —	$ —	$12,035,816

	December 31, 2013	December 31, 2012
Fair value – beginning of period	$—	$ —
Warrants issue	9,067,283	—
Reclassification of warrant liabilities to Additional Paid-in Capital	(526,245)	—
Reclassification of warrant exercises to Additional Paid-in Capital	(80,500)	—
Change in fair value	3,575,278	—
Fair value – end of period	$12,035,816	$ —

For year ending December 30, 2013, the Monte Carlo Options Lattice pricing model was used to estimate the fair value of warrants issued during this period. The following summary table shows the assumptions used to compute the fair value of the warrants granted during 2013 at issuance and as of December 31, 2013 is:

	December 31, 2013	At Issuance

Assumptions for Pricing Model:				
Expected term in years	4.2 to 4.6		4.62 to 5.0	
Volatility range for years 1 to 5	56	%	61 to 110	%
Risk-free interest rate	1.75	%	0.77 to 1.41	%
Expected annual dividends	None		None	
Value of warrants issued:				
Fair value of warrants	$ 12,035,816		$9,067,283	

Note 18 — Accrued Compensation

Accrued compensation represents amounts owed to officers of the Company for services rendered that remain outstanding. The principal is not subject to a fixed repayment schedule, and interest on the outstanding balances is payable at 8% per annum, compounding monthly. The respective interest amounts are included in Accrued Interest, under the Long-Term Liabilities. The unpaid principal amounts are shown as Long-Term Liabilities on the consolidated balance sheet.

	Accrued Compensation	Accrued Interest
Balance as at December 31, 2011	$ 810,096	$ 339,323
Additions 2012	200,000	103,315
Subtractions 2012	—	—
Balance as at December 31, 2012	1,010,096	442,638
Additions 2013	116,667	73,168
Subtractions 2013	(1,126,763)	(515,806)
Balance as at December 31, 2013	$ —	$ —

On March 27, 2013, the Company entered into a deferred compensation deferral and conversion option agreements with two of its officers, which agreements were subject to the closing of the Company's planned public stock offering and which agreements were effective upon such closing on August 5, 2013. Pursuant to those agreements the officers each converted the entire long-term portion their deferred compensation amounts plus accrued interest into shares of the Company's common stock and related warrants, at the conversion price of $2.00, equal to the offering price of the Company's August 5, 2015 public stock offering. Current accrued compensation and general accrued wages as at December 31, 2013 and 2012 is included in Accrued Expenses – please refer to Note 16.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 19 — Long-Term Debt

Long-term debt consisted of the following at December 31:

	December 31, 2013	December 31, 2012
Note payable to an officer of the Company. The principal was not subject to a fixed repayment schedule, bore interest at 8% per annum and was secured by all of the assets of the Company	$ —	$ 209,208
Note payable to an officer of the Company. The principal and interest was subject to a fixed blended repayment schedule of 36 months, commencing July 15, 2013. The loan bore interest at 12% per annum and was secured by a subordinated position in all the assets of the Company.	—	225,719
Note payable for research and development equipment. The principal is subject to a fixed semi-annual repayment schedule commencing October 31, 2012 over 48 months.	256,727	396,004
The note carries a 0% interest, but imputed interest has been accrued based on a 12% discount rate and is reflected as a reduction in the principal.	(71,701)	(97,003)
Convertible, Senior Secured Term Debt. The principal was to be repaid over 15 months, with equal payments of principal beginning on October 15, 2012. The Company did not make any of the required principal payments and was in default. The loan bore interest at 13.5%, per annum, which was payable monthly on the 15th of each month. The loan was secured by a first security position in all the Intellectual Property assets of the Company and a security interest in all of the other assets of the Company that was subordinate only to the security interest that secures the Company's working capital loan.	—	619,122
Long-term secured deferred trade payable for which the principal and interest was subject to a fixed blended repayment schedule of 24 and 36 months, commencing July 15, 2013. The deferred trade payable bears interest at 12% per annum and was secured by a subordinated position in all the assets of the Company.	—	1,320,643
Note payable for which the principal and interest is subject to a fixed blended repayment schedule of 36 months, commencing July 15, 2013. The loan bears interest at 12% per annum and is secured by a subordinated position in all the assets of the Company.	84,790	101,748
	$ 269,816	$ 2,775,441

Less: Amount Due Within One Year	(99,320)	(1,060,188)
Amount Due After One Year	$ 170,496	$ 1,715,253

The aggregate maturities reflect future cash principle payments exclusive of non-cash amortization discount for all long-term borrowings as of December 31, 2013 are as follows:

2014	2015	2016	2017	Thereafter	Total
$99,320	$100,064	$70,432	$ —	$ —	$269,816

F-23

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In connection with the sale of the TDG Assets, certain of the Company's lenders entered into Loan Modification and Consent agreements pursuant to which each consented to the sale, as required by the loan agreements between the Company and each such lender, and released their security interests in the TDG Assets sold. Pursuant to a Loan Modification and Consent Agreement regarding the Company's Convertible, Senior Secured Term Debt Loan, which was in default at the time of the sale, the Company paid this Senior Lender $4,450,000 in reduction of the obligations of the Company to the Senior Lender. The obligation of the Company to repay the remaining amount due to the Convertible Senior Secured Term Debt Lender, $619,122 was represented by a new note in that amount. This new note carried an interest rate of 13.5%, to be paid monthly. The principal amount of the note was to be repaid over 15 months, with equal principal payments commencing on October 15, 2012. The Company did not make any of its required principal payments. The note plus accrued interest was repaid in full on August 5, 2013.

Pursuant to its original transaction with the holder of the Senior Secured Term Debt, the Company issued to that lender warrants to purchase up to 533,333 shares of common stock (the "Warrants"), at an exercise price of $7.47 per share, exercisable at any time prior to December 23, 2014. The fair value of these Warrants, $1,010,379 was reflected as a discount against the loan amount, but because of the loan's restructuring and the early repayment of the principal resulting from the TDG Assets sale, the unamortized discount of $636,678 was fully expensed in the second quarter of 2012.

Pursuant to the various other Loan Modification and Consent agreements, each secured term note payable holder agreed to defer further payments on their respective Note Payable due from the Company until July 15, 2013 after which the notes were to be repaid in 24 to 36 equal monthly installments.

On March 27, 2013, and amended thereafter, the Company entered into several debt conversion agreements with the respective holders of $2,374,682 of the long-term debt reflected in table above. Pursuant to the agreements, each lender agreed to convert its outstanding secured promissory note, together with accrued interest thereon into shares of the Company's common stock, subject to the closing of the Company's proposed public stock offering, at a conversion price equal to the public offering price. In connection with the closing of the public offering on August 5, 2013, $1,755,570 of these loan amounts plus accrued interest were converted to shares of common stock and warrants and the remainder was repaid.

On March 21, 2013, the Company entered into a Securities Purchase Agreement with Hillair Capital Management L.P. (Hillair), pursuant to which, on March 21, 2013, the Company issued to Hillair a $800,000 16% secured convertible debenture due March 21, 2018. The debenture bore interest at a rate of 16% per year, payable quarterly in cash or shares of common stock at the Company's option. Commencing on February 1, 2014, the Company was required to redeem a certain amount under the debenture on a periodic basis in an amount equal to $200,000 on each of February 1, 2014, May 1, 2014 and August 1, 2014 and $50,000 on each of August 1, 2015, August 1, 2016, August 1, 2017 and March 21, 2018, until the debenture's maturity date of March 21, 2018; payable in cash or common stock at our option subject to certain conditions. The debenture was convertible into shares of our common stock at a conversion price of $4.29 per share, subject to certain conversion price adjustments. In connection with the debenture issuance, the Company also issued to Hillair five-year warrants to purchase 186,480 shares of its common stock at an initial exercise price of $4.72 per share, which was subject to exercise price adjustments for only the first six months. Upon the closing of the public offering, the warrant exercise was reduced to $2.25. The warrants were reflected as a derivative liability on the balance sheet and recorded as a discount against the debenture. See Note 17 for further details. Upon the closing of the public offering on August 5, 2013, the debenture principal and accrued interest was repaid along with an early repayment penalty of $160,000, and the warrant exercise was reduced to $2.25.

On July 15, 2013, the Company entered into a Securities Purchase Agreement with Hillair, pursuant to which the Company issued to Hillair a $200,000 senior secured convertible debenture due March 21, 2018, and (ii) a common stock purchase warrant to purchase up to 38,168 shares of our common stock at an initial exercise price of $5.24 per share, which is subject to exercise price adjustments for the first six months. The warrants may be exercised at any time on or after July 15, 2013 until March 21, 2018. The warrants were reflected as a derivative liability on the balance sheet and recorded as a discount against the debenture. The debenture was convertible into shares of common stock at a conversion price of $5.24 per share, subject to adjustments upon certain events. Interest on the Debenture accrued at the rate of 16% annually and was payable quarterly on February 1, May 1, August 1 and November 1, beginning on August 1, 2013, on any redemption, conversion and at maturity. Interest was payable in cash or at the Company's option in shares of our common stock, provided certain conditions are met. Commencing on February 1, 2014, the Company would have been obligated to redeem a certain amount under the debenture on a periodic basis in an amount equal to $50,000 on each of February 1, 2014, May 1, 2014 and August 1, 2014 and $12,500 on each of August 1, 2015, August 1, 2016, August 1, 2017 and March 21, 2018, until the debenture's maturity date of March 21, 2018. Upon the closing of the public offering on August 5, 2013, the debenture principal and accrued interest was repaid along with an early repayment penalty of $40,000, and the warrant exercise was reduced to $2.25.

Upon closing of the debenture transaction, the Company retained Gentry Capital Advisors LLC (Gentry) as a financial advisor and agreed to pay Gentry a fee of $50,000 over a period of 4 months commencing upon the closing. The Company also issued to Gentry five-year warrants to purchase 20,000 shares of common stock at an exercise price of $4.72 per share. The fair value of these warrants upon grant was calculated as $66,603 and was reflected in the deferred debenture issuance costs. In connections with the issuance of the two debentures the Company incurred issuance costs which totaled $257,691, inclusive of the financial advisor's warrant discussed above. These costs will be amortized on a straight-line basis over the five year life of the debenture.

The Company used cash from the August 5, 2013 offering for the repurchase and cancellation of the two debentures. As a result of the two debt repayments above, the Company incurred a loss on debt extinguishment of $1,272,296 which also includes $240,637 of unamortized capitalized debt issuance costs and $685,965 of unamortized debt discounts which were written-off.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 20 — Capital Lease Obligations

The Company maintains equipment held under capital lease obligations due in monthly installments ranging from $1,419 to $2,049 including interest at rates ranging from 25.15% to 26.71%. The related equipment is collateral to the leases. Final payments are due through September 2015.

	December 31, 2013	December 31, 2012
Total Principal Payments	$ 41,552	$ 97,285
Less: Amount Due Within One Year	(24,670)	(57,244)
Amount Due After One Year	$ 16,882	$ 40,041

Annual requirements for retirement of the capital lease obligations are as follows:

December 31,	Amount
2014	$31,687
2015	18,445
Total Minimum Lease Payments	$50,132
Less: Amount Representing Interest	(8,580)
Present Value of Minimum Lease Payments	$41,552

The following is a summary of assets held under capital leases:

December 31,	2013	2012

Computers and Software	$30,692	$96,925
Furniture and Equipment	35,083	92,446
	$65,775	189,371
Less: Accumulated Depreciation	(52,275)	(81,190)
Net	$13,500	$108,181

Depreciation expense related to the assets under capital lease amounted to $17,247 and $34,433 for years ended December 31, 2013 and 2012, respectively.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 21 — Income Taxes

The Company files U.S. federal and U.S. state tax returns. At December 31, 2013, the Company had unrecognized tax benefits totaling $11,405,522, of which would have a favorable impact on our tax provision (benefit), if recognized.

Pre-tax earnings consisted of the following for the years ended December 31, 2013 and 2012:

December 31,	2013	2012
Total Pre-Tax (Loss) Earnings	$(10,146,228)	$382,838

The provision (benefit) for income taxes for the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Current Income Tax Provision (Benefit)		
Federal – (all related to Gain on Sale of Discontinued Operations)	$ —	$19,800
State and Foreign	—	—
State Tax Credit Refund	—	—
Net Change in Liability for Unrecognized Tax Benefits	—	—
	$ —	$19,800
Deferred Provision (Benefit)	—	—
Total Provision (Benefit)	$ —	$19,800

A reconciliation of the statutory U.S. federal income tax rate to the effective rates for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Federal Income Tax at Statutory Rate	34.4 %	34.0 %
State Tax Provision, Net of Federal Benefit	0.5 %	3.5 %
Foreign Income Taxed at Other Than 34%	(0.2)%	0.0 %
Meals and Entertainment	0.0 %	1.4 %
Stock Compensation Expense	(0.6)%	16.1 %
Research and Development Credits	(0.2)%	4.2 %
Loss on Derivative Valuation	(12.2)%	0.0 %
Debt Discount	(0.2)%	0.0 %
Officer's Life Insurance	0.0 %	0.3 %
Change in Rate Assumptions	41.0 %	(114.5)%
Adjustments to Prior Year Tax Credits	0.7 %	(11.6)%
Effective Tax Rate	63.2 %	(66.6)%
Change in Valuations Allowance	(63.2)%	77.7 %
Net Effective Tax Rate	0.0 %	11.1 %

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets (liabilities) for the years ended December 31, 2013 and 2012 consist of the following:

	2013	2012
Inventory and Inventory Related Items	$196,871	$234,000
Warranty Reserves	10,845	32,000
Accrued Interest	9,673	152,000
Accrued Services	(1,887)	28,000
Accrued Loss Contingency	—	9,000
Accrued Officer Compensation	111,276	—
Net Operating Loss Carryforwards	9,739,496	2,881,000
Accrued Compensation	—	405,000
Amortization	(143,364)	—
(Gain)Loss on Fixed Assets	100,464	—
Patents Costs and Loss on Abandonment or Sale of Patents	(81,093)	—
Charitable Contributions	2,487	—
Unrealized Gains/Losses	47,049	—
Tax Credit Carryforwards	1,466,429	1,399,000
Depreciation	7,832	11,000
Total Gross Deferred Tax	$11,466,078	$5,151,000
Valuation Allowance — 100%	(11,466,078)	(5,151,000)
Net Deferred Tax	$—	$—

As of December 31, 2013, the Company has available $ 28,395,033 in net operating loss carryforwards which will begin to expire in 2018 if not utilized.

As the result of the assessment of the FASB ASC 740-10 (Prior Authoritative Literature: FASB Interpretation No. 48 (“FIN 48”), Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109), the Company has no unrecognized tax benefits. By statute, tax years 2010 -2013 are open to examination by the major taxing jurisdictions to which the Company is subject.

Cash paid for income taxes during the years ended December 31, 2013 and December 31, 2012 were $32,533 and $19,012, respectively.

FASB ASC 740 (Prior Authoritative Literature: SFAS No. 109, Accounting for Income Taxes), requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differing treatment of items for financial reporting and income tax reporting purposes. The deferred tax balances are adjusted to reflect tax rates by tax jurisdiction, based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. We have provided deferred income tax benefits on net operating loss carry-forwards to the extent we believe we will be able to utilize them in future tax filings.

Note 22 — Preferred Stock

Preferred stock

Shares of undesignated preferred stock may be issued in one or more series. The Board of Directors is authorized to establish and designate the different series and to fix and determine the voting powers and other special rights and qualifications. A total of 5,000,000 shares of preferred authorized are authorized as of December 31, 2013 and December 31, 2012. There were 0 shares issued or outstanding on December 31, 2013 and 2012. There were no preferred dividends owing as of December 31, 2013 or 2012.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 23 — Stock Warrants

The following table shows the various changes in warrants for the years December 31, 2013 and 2012. A total of 6,551,654 warrants were issued during in 2013, with an aggregate fair value of $9,067,283, see Note 17 for further details. A total of 206,420 warrants were re-priced to $2.25 from $4.72 and 38,168 warrants were re-priced to $2.25 from $5.24 upon the closing of the public offering on August 5, 2013.

	December 31, 2013	December 31, 2012
Warrants Outstanding, Beginning of Year	656,641	867,628
Exercised During the Year	(59,300)	—
Issued During the Year	6,551,654	—
Forfeited During the Year	(1,220)	(210,987)
Warrants Outstanding, End of Year	7,147,775	656,641

The outstanding warrants as of December 31, 2013 expire from December 31, 2014 to August 5, 2018. The weighted average remaining term of the warrants is 4.2 years. The weighted average exercise price is $2.75 per share.

Note 24 — Stock Option Plans

The Company has the following Stock Option Plans (the “Plan”) that allow for the granting of both statutory and incentive stock options or ISOs, which can result in potentially favorable tax treatment to the participant, and non-statutory stock options. The exercise price per share subject to an option is determined by the administrator, but in the case of an ISO must not be less than the fair market value of a share of our common stock on the date of grant and in the case of a non-statutory stock option must not be less than 100% of the fair market value of a share of our common stock on the date of grant.

	2007 Plan	2009 Plan	Total
Outstanding as of December 31, 2013	79,009	135,509	214,518
Available for future issuance under plan	—	342,420	342,420
Totals authorized by plan	79,009	477,929	556,938

The Plan gives the Board of Directors of the Company the ability to determine vesting periods for all options granted under the Plan, and allows option terms to be up to ten years from the original grant date. Employees' incentive stock options must vest at a minimum rate of 20% per year over a five year period, commencing on the date of grant. Most vest ratably over four years commencing on the date of the option grant. In the case of directors, such options are granted annually and they expire ten years after the date of their grant and vest ratably, on a monthly basis, over the next 12 months. Non-employee directors have vesting of 50% immediately on grant and the balance vest ratably, on a monthly basis, over the next 12 months. Advisors or consultants can have vesting range from 100 percent of the option grants vesting immediately to ratably, on a monthly basis, up to 48 months.

F-28

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes stock option activity for the years ended December 31, 2013 and 2012:

	Number of Shares	Weighted Average Exercise Price	Exercise Price Range
Outstanding at December 31, 2011	267,856	$ 8.87	$0.46 – $ 17.50
Granted	—	$ —	$—
Exercised	—	$ —	$—
Expired or Forfeited	(75,127)	$ 0.65	$0.46 – $ 2.17
Outstanding at December 31, 2012	192,729	$ 10.68	$1.71 – $ 17.50
Granted	45,000	$ 2.00	$2.00
Exercised	—	$ —	$—
Expired or Forfeited	(23,211)	$ 2.71	$1.94 – $ 17.50
Outstanding at December 31, 2013	214,518	$ 9.72	$1.71 – $ 17.50

As of December 31, 2013, there were 200,387 options that were fully vested and exercisable at weighted average exercise price of $9.71 per share. The weighted average remaining contractual term on the vested options is 5.6 years.

The unvested balance of 14,131 options as of December 31, 2013, are exercisable at a weighted average exercise price of $9.91 per share. The weighted average remaining contractual term on the vested options is 6.6 years.

The following tables summarize stock option information at December 31, 2013:

Total Options Outstanding

Range of exercise price	Shares	Weighted average remaining life (yrs)	Weighted average exercise price
$1.71 to $2.00	57,723	7.6	$ 1.94

$7.50 to $11.25	102,637	6.6	$ 10.67
$15.00 to $17.50	54,158	3.6	$ 16.23
	214,518	6.1	$ 9.72

Exercisable Options Outstanding

Range of exercise price	Shares	Weighted average remaining life (yrs)	Weighted average exercise price
$1.71 to $2.00	57,723	7.6	$ 1.93
$7.50 to $11.25	88,506	5.6	$ 10.78
$15.00 to 17.50	54,158	3.6	$ 16.22
	200,387	5.6	$ 9.71

F-29

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Unvested Options Outstanding

Range of exercise price	Shares	Weighted average remaining life (yrs)	Weighted average exercise price
$1.71 to $2.00	—	—	$ —
$7.50 to $11.25	14,131	6.6	$ 9.91
$15.00 to $17.50	—	—	$ —
	14,131	6.6	$ 9.91

The weighted average exercise price of options granted during 2013 was $2.00 with an aggregate value of $81,884.

There were no options granted in 2012.

Cash received from option exercises in 2013 and 2012, amounted to $-0- and $-0-, respectively. All of the shares issued out of common stock.

With respect to any non-qualified stock options and incentive stock options that are exercised and held for less than one year, the Company recognizes a tax benefit upon exercise in an amount equal to the tax effect of the difference between the option price and the fair market value of the common stock on the exercise date.

The table below summarizes the impact of outstanding stock options on the results of operations for the years ended December 31, 2013 and 2012:

December 31,	2013	2012
Stock-Based Compensation Expense:		

Stock Options	$159,272	$172,233
Income Tax Benefit	—	—
Net Decrease in Net Income	$159,272	$172,233
Decrease in Earnings Per Share:		
Basic	$0.027	$0.049
Diluted	$0.027	$0.048

F-30

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Black-Scholes-Merton option pricing model was used to estimate the fair value of share-based awards under FASB ASC Topic 718. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. For valuation purposes, stock option awards were categorized into two groups, stock option grants to employees and stock option grants to members of the Board of Directors.

The expected term of options granted was estimated to be the average of the vesting term, historical exercise and forfeiture rates, and the contractual life of the option. The expected volatility at the grant date is estimated using historical stock prices based upon the expected term of the options granted. The risk-free interest rate assumption is determined using the rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. Cash dividends have never been paid and are not anticipated to be paid in the foreseeable future. Therefore, the assumed expected dividend yield is zero.

The following summary table shows the assumptions used to compute the fair value of stock options granted during 2013 and 2012 and their estimated value:

December 31,	2013	2012
Assumptions for Black-Scholes:		
Expected term in years	10.0	—
Volatility	128.80%	—
Risk-free interest rate	2.81 %	—
Expected annual dividends	None	None
Value of options granted:		
Number of options granted	45,000	—
Weighted average fair value/share	$2.00	$N/A
Fair value of options granted	$81,884	$N/A

FASB ASC Topic 718 requires pre-vesting option forfeitures at the time of grant to be estimated and periodically revised in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense is recorded only for those awards expected to vest using an estimated forfeiture rate based on historical pre-vesting forfeiture data.

Unrecognized stock-based compensation expense was approximately $89,217 as of December 31, 2013, relating to a total of 14,131 unvested stock options under the Company's stock option plans. This stock-based compensation expense is expected to be recognized over a weighted average period of approximately 1.1 years.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 25 — Commitments

The Company leases office and manufacturing space under operating leases that expires on September 30, 2014. It requires monthly payments of $4,200 plus insurance, taxes and common charges.

Rent expense for the years ended December 31, 2013 and 2012 totaled $104,766 and $176,830, respectively.

Future minimum payments required under operating lease obligations as of December 31, 2013 were as follows:

2014	Total Minimum Lease Payments
$45,670	$ 45,670

For the lease agreements described above, the Company is required to pay the pro rata share of the real property taxes and assessments, expenses and other charges associated with these facilities.

Note 26 — Employee Benefit Plans

The Company has a Section 401(k) Savings Plan which covers employees who meet certain age and length of service requirements. To date the plan is comprised of 100% employee deferrals.

Note 27 — Litigation

We are not currently involved in any pending legal proceeding or litigation.

Note 28 — Concentrations

For 2013 and 2012, one customer accounted for approximately -0-% and 10% of sales, respectively. The sales to this customer were part of the discontinued operations referred to in Note 4. Sales to the U.S. government accounted for approximately 17% and 11%, respectively. Portions of these government sales were part of discontinued operations.

Accounts receivable from the U.S. government accounted for 79%, and 0% of accounts receivable at December 31, 2013 and 2012, respectively.

VUZIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 29 — Related Party Transactions

During 2013, $-0- and $ 199,476 of revenues and purchases, respectively were derived from a minority stockholder (less than 5%) of the Company who also represented $-0- of the accounts receivable balance and $90,818 of the accounts payable balance at December 31, 2013.

During 2012, $550,498 and $ 274,373 of revenues and purchases, respectively were derived from a minority stockholder (less than 5%) of the Company who also represented $-0- of the accounts receivable balance and $66,000 of the accounts payable balance at December 31, 2012, $361,910 of the Long Term Portion of Deferred Trade Payable balance and $120,637 of the Current Portion of Deferred Trade Payables. All of these revenues were reported as discontinued operations.

Included in long-term debt as of December 31, 2012 and during half of 2013 were two notes payable to an officer of the Company. Pursuant to a debt conversion agreement, in connection with the closing of the public offering on August 5, 2013, these note amounts plus accrued interest were converted into shares of common stock based on the offering price of $2.00 per share and warrants exercisable at $2.25 per share. Interest expense related to the note payable amounted to $32,507 for the period it was outstanding in 2013 and $32,507 for the years ended December 31, 2012. Total accrued interest on the note payable was $213,795 as of December 31, 2012. See Note 14 and 19 for details.

The Company has accrued compensation owed to two officers of the Company. On March 27, 2013, the Company entered into a deferred compensation deferral and conversion option agreements with these two officers, which agreements were subject to the closing of the Company's public stock offering and which agreements were effective upon such closing on August 5, 2013. Pursuant to those agreements the officers converted in connection with the closing of the public offering on August 5, 2013 a total of $1,126,763 of their deferred compensation amounts plus accrued interest totaling $515,806 into shares of the Company's common stock based on the offering price of $2.00 per share and warrants exercisable at $2.25 per share. See Note 19 for details. Interest expense related to accrued current and long-term accrued compensation amounts to $107,209 and $107,209 for the years ended December 31, 2013 and 2012, respectively. Total current and long-term accrued interest on the accrued compensation was $-0- as of December 31, 2013 and $446,532 as of December 31, 2012. See Note 18 for details.

F-33

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 9 day of April, 2014.

VUZIX CORPORATION

/s/ Paul J. Travers
Paul J. Travers
Chief Executive Officer

POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally, Paul J. Travers and Grant Russell, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	**Title**	**Date**
/s/ Paul J. Travers Paul J. Travers	President, Chief Executive Officer and Director *(Principal Executive Officer)*	April 9, 2014
/s/ Grant Russell Grant Russell	Chief Financial Officer, Executive Vice-President and Director *(Principal Financial and Accounting Officer)*	April 9, 2014
/s/ William Lee	Director	April 9, 2014

William Lee

/s/ Michael Scott Michael Scott	Director	April 9, 2014
/s/ Alexander Ruckdaeschel Alexander Ruckdaeschel	Director	April 9, 2014

43

Exhibit Index

2.1 (15)	Asset Purchase Agreement, dated as June 15, 2012, by and between the registrant and TDG Acquisition Company LLC
3.1(2)	Amended and Restated Certificate of Incorporation
3.2(2)	Amended and Restated Bylaws
3.2(17)	Amendment to Amended and Restated Certificate of Incorporation
4.1(3)	Specimen certificate evidencing shares of common stock
4.2(3)	Specimen common stock purchase warrant
4.3(5)	Form of Warrant Indenture between the registrant and Computershare Trust Company of Canada Certain instruments defining the rights of the holders of long-term debt of the registrant, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the registrant and its subsidiary on a consolidated basis, have not been filed as exhibits. The registrant hereby agrees to furnish a copy of any of these agreements to the Commission upon request
4.4(6)	Common Stock Purchase Warrant dated as of May 21, 2010 issued by the registrant to Kopin Corporation
4.5(7)	Common Stock Purchase Warrant dated as of October 21, 2010 issued by the registrant to Kopin Corporation
4.6 (22)	Form of Warrant
10.1(1)	2007 Amended and Restated Stock Option Plan
10.2(1)	2009 Stock Option Plan
10.3(2)	Form of Option Agreement under 2009 Stock Plan
10.4(1)	Form of Indemnification Agreement by and between the registrant and each director and executive officer
10.5(1)	Employment Agreement dated as of August 1, 2007 by and between the registrant and Paul J. Travers
10.6(1)	Employment Agreement dated as of August 1, 2007 by and between the registrant and Grant Russell
10.7(2)†	Technology Purchase and Royalty Agreement dated as of December 23, 2005 between the registrant and New Light Industries, Ltd.
10.8(1)	Warrant to purchase common stock dated as of December 23, 2005 issued by the registrant to New Light Industries, Ltd.
10.9(1)	Rights Agreement dated as of December 23, 2005 by and between the registrant and New Light Industries, Ltd.
10.10(1)	Demand Note in the original principal amount of $247,690.92 by the registrant to the order of Paul J. Travers
10.11(1)	Loan Agreement dated as of October 2008 by and between the registrant and Paul J. Travers
10.12(2)	Promissory Note dated as of October 2008 by the registrant to the order of Paul J. Travers
10.13(6)	Revolving Line of Trade Credit Agreement dated as of May 21, 2010 by and between the registrant and Kopin Corporation
10.14(6)	Security Agreement dated as of May 21, 2010 by and between the Company and Kopin Corporation
10.15(7)	Amendment to Revolving Line of Trade Credit Agreement dated as of October 8, 2010 by and between the registrant and Kopin Corporation
10.16(8)	Convertible Loan and Security Agreement, dated as of December 23, 2010 by and between the registrant and LC Capital Master Fund Ltd.
10.17(8)	Intellectual Property Security Agreement dated as of December 23, 2010 by and between the registrant and LC Capital Master Fund Ltd.
10.18(8)	Warrant to Purchase Stock dated December 23, 2010 issued by the Vuzix Corporation to LC Capital Master Fund Ltd.

10.19(8) Convertible Promissory Note issued by the registrant to LC Capital Master Fund Ltd.
10.20(9) Letter Agreement dated as of December 23, 2010 by and between the registrant and Kopin Corporation

10.21(9)	Letter Agreement dated as of December 23, 2010 by and between the registrant and Vast Technologies Inc.
10.22(9)	Letter Agreement dated as of December 23, 2010 by and between the registrant and Paul J. Travers
10.23(9)	Letter Agreement dated as of December 23, 2010 by and between the registrant and John Burtis
10.24(9)	Warrant issued by the registrant to Vast Technologies Inc. entitling Vast to purchase up to 1,662,274 shares of Common Stock at an exercise price of $.09965 per share
10.25 (23)	Warrant issued by the registrant to Kopin Corporation
10.26(9)	Warrant issued by the registrant to Paul J. Travers
10.27(9)	Warrant issued by the registrant to John Burtis
10.28(18)	Loan and Security Agreement dated as of March 21, 2011 by and between the registrant and Bridge Bank National Association
10.29(18)	Intellectual Property Security Agreement dated as of March 21, 2011 by and between the registrant and Bridge Bank National Association
10.30(18)	Intercreditor Agreement dated as of March 21, 2011 by and between the registrant and Bridge Bank National Association
10.31(18)	Subordination Agreement dated as of March 21, 2011 by and between Kopin Corporation and Bridge Bank National Association
10.32(18)	Subordination Agreement dated as of March 21, 2011 by and between Vast Corporation and Bridge Bank National Association
10.33(18)	Subordination Agreement dated as of March 21, 2011 by and between Paul J. Travers and John Burtis, on the one hand, and Bridge Bank National Association on the other hand
10.34(10)	Supplemental Agreement, dated as of December 8, 2011, by and between the registrant and LC Capital Master Fund Ltd.
10.35(11)	Second Supplement Agreement, dated as of January 23, 2012, by and between the registrant and LC Capital Master Fund Ltd.
10.36(12)	Third Supplemental Agreement, dated as of February 23, 2012 by and between the registrant and LC Capital Master Fund Ltd.
10.37(13)	Fourth Supplemental Agreement, dated as of March 23, 2012, by and between the registrant and LC Capital Master Fund Ltd.
10.38 (14)	Promissory Note and Security Agreement, dated as of May 19, 2012, by and between the registrant and LC Capital Master Fund Ltd.
10.39 (15)	Shared Services Agreement, dated as of June 15, 2012, by and between Vuzix Corporation and TDG Acquisition Company LLC
10.40 (15)	Reseller Agreement, dated as June 15, 2012, by and between Vuzix Corporation and TDG Acquisition Company LLC.
10.41 (15)	Restrictive Covenants Agreement, dated as June 15, 2012, by and between Paul Travers and TDG Acquisition Company LLC
10.42 (15)	Kopin Loan Modification Agreement dated as June 15, 2012, by and among the Company, Kopin Corporation, TDG Acquisition Company LLC and Chu, Ring & Hazel, LLP
10.43 (15)	LC Master Fund Loan Modification Agreement, dated as June 15, 2012, by and between the Company and LC Master Fund, LLC
10.44 (16)	Amended and Restated Convertible Loan and Security Agreement, dated as of June 15, 2012, by and between the Company and LC Capital Master Fund Ltd.
10.45 (16)	Convertible Promissory Note, dated as of June 15, 2012, in the principal amount of $619,122 issued by the Company in favor of LC Capital Master Fund Ltd.
10.46 (19)	Securities Purchase Agreement, dated as of March 21,2013, by and between the registrant and Hillair Capital Investments L.P.
10.47 (19)	16% Senior Secured Convertible Debenture, dated as of March 27,2013, issued to Hillair Capital Investments L.P.

10.48 (19)	Security Agreement, dated as of March 27,2013, by and between the registrant, subsidiaries of the registrant and Hillair Capital Investments L.P.

45

10.49 (19)	Subsidiary Guarantee, dated as of March 21,2013, by and between the guarantors named therein in favor of Hillair Capital Investments L.P.
10.50 (19)	Common Stock Purchase Warrant, dated as of March 27,2013, issued to Hillair Capital Investments L.P.
10.51 (19)	Pledge and Security Agreement, dated as of March 27,2013, by and between the registrant, Travers Family LLC, Paul Travers, and Hillair Capital Investments L.P.
10.52 (19)	Form of Subordination Agreement
10.53 (20)	Debt Conversion Agreement by and between the registrant and Paul Travers
10.54 (20)	Debt Conversion Agreement by and between the registrant and Vast Technologies
10.55 (20)	Debt Conversion Agreement by and between the registrant and Kopin Corporation
10.56 (20)	Conversion/Exchange Agreement by and between the registrant and LC Capital Master Fund Ltd
10.57 (20)	Deferred Compensation and Conversion Option Agreement by and between the registrant and Paul Travers
10.58 (20)	Deferred Compensation and Conversion Option Agreement by and between the registrant and Grant Russell
10.59 (20)	Amendment to Debt Conversion Agreement by and between the registrant and Vast Technologies, Inc.
10.60 (20)	Amendment to Debt Conversion Agreement by and between the registrant and Kopin Corporation
10.61 (20)	Amendment to Debt Conversion Agreement by and between the registrant and Paul Travers
10.62 (24)	Amendment No. 2 to Debt Conversion Agreement by and between the registrant and Paul Travers
10.63 (24)	Amendment No.2 to Debt Conversion Agreement by and between the registrant and Vast Technologies
10.64 (24)	Amendment No.2 to Debt Conversion Agreement by and between the registrant and Kopin Corporation
10.65 (24)	Amendment to Conversion/Exchange Agreement by and between the registrant and LC Capital Master Fund Ltd
10.66 (24)	Amendment to Deferred Compensation and Conversion Option Agreement by and between the registrant and Paul Travers
10.67 (24)	Amendment to Deferred Compensation and Conversion Option Agreement by and between the registrant and Grant Russell
10.68 (21)	Securities Purchase Agreement, dated July 15, 2013 (21)
10.69 (21)	16% Senior Secured Convertible Debenture due March 21, 2018 (21)
10.70 (21)	Common Stock Warrant, dated July 15, 2013 (21)
10.71 (22)	Amendment No. 3 to Debt Conversion Agreement between the registrant and Vast Technologies, Inc.
10.72 (25)	Amendment No. 3 to Debt Conversion Agreement between the registrant and Kopin Corporation

10.73 (22)	Amendment No. 3 to Debt Conversion Agreement between the registrant and Paul Travers
10.74 (22)	Amendment No. 2 to Deferred Compensation and Conversion Option Agreement by and between the registrant and Paul Travers
10.75 (22)	Amendment No. 2 to Deferred Compensation and Conversion Option Agreement by and between the registrant and Grant Russell
21 .1 (23)	Subsidiaries
31.1	Certification of CEO as required by Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification of CFO as required by Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Section 1350 CEO Certification
32.2	Section 1350 CFO Certification
101	The following materials, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text

† Confidential treatment granted as to certain portions.

(1) Filed as an exhibit to the Registration Statement on Form S-1 filed on July 2, 2009 and incorporated herein by reference.

(2) Filed as an exhibit to Amendment No. 3 to the Registration Statement on Form S-1 filed October 16, 2009 and incorporated herein by reference.

46

(3) Filed as an exhibit to Amendment No. 4 to the Registration Statement on Form S-1 filed November 10, 2009 and incorporated herein by reference.

(4) Filed as an exhibit to Amendment No. 5 to the Registration Statement on Form S-1 filed November 27, 2009 and incorporated herein by reference.

(5) Filed as an exhibit to Amendment No. 6 to the Registration Statement on Form S-1 filed December 7, 2009 and incorporated herein by reference.

(6) Filed as an exhibit to the Current Report on Form 8-K filed June 2, 2010 and incorporated herein by reference.

(7) Filed as an exhibit to the Current Report on Form 8-K filed October 27, 2010 and incorporated herein by reference.

(8) Filed as an exhibit to the Current Report on Form 8-K filed December 30, 2010 and incorporated herein by reference.

(9) Filed as an exhibit to the Current Report on Form 8-K filed December 30, 2010 and incorporated herein by reference.

(10) Filed as an exhibit to the Current Report on Form 8-K filed December 19, 2011 and incorporated herein by reference.

(11) Filed as an exhibit to the Current Report on Form 8-K filed January 27, 2012 and incorporated herein by reference.

(12) Filed as an exhibit to the Current Report on Form 8-K filed February 29, 2012 and incorporated herein by reference.

(13) Filed as an exhibit to the Current Report on Form 8-K filed March 27, 2012 and incorporated herein by reference.

(14) Filed as an exhibit to the Current Report on Form 8-K filed May 24, 2012 and incorporated herein by reference.

(15) Filed as an exhibit to the Current Report on Form 8-K filed June 21, 2012 and incorporated herein by reference.

(16) Filed as an exhibit to the Current Report on Form 8-K filed July 3, 2012 and incorporated herein by reference.

(17) Filed as an exhibit to the Current Report on Form 8-K filed February 6, 2013 and incorporated herein by reference.

(18) Filed as an exhibit to the Current Report on Form 8-K filed March 25, 2011 and incorporated herein by reference.

(19) Filed as an exhibit to the Current Report on Form 8-K filed March 27, 2013 and incorporated herein by reference.

(20) Filed as an exhibit to the Current Report on Form 8-K filed April 2, 2013 and incorporated herein by reference.

(21) Filed as an exhibit to the Current Report on Form 8-K filed July 16, 2013 and incorporated herein by reference.

(22) Filed as an exhibit to the S-1/A filed July 29, 2013 and incorporated herein by reference.

(23) Filed as an exhibit to the S-1 filed December 21, 2012 and incorporated herein by reference.

(24) Filed as an exhibit to the S-1/A filed June 10, 2013 and incorporated herein by reference.

(25) Filed as an exhibit to the S-1/A filed July 30, 2013 and incorporated herein by reference.