

WHITE MOUNTAINS INSURANCE GROUP LTD  
Form 10-Q  
October 29, 2014  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the period ended September 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP, LTD.  
(Exact name of Registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	94-2708455 (I.R.S. Employer Identification No.)
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80 South Main Street, Hanover, New Hampshire (Address of principal executive offices)	03755-2053 (Zip Code)
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Registrant's telephone number, including area code: (603) 640-2200

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, 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. 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 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 in Rule 12b-2 of the Exchange Act).  
Yes  No

As of October 29, 2014, 6,004,776 common shares with a par value of \$1.00 per share were outstanding (which includes 81,325 restricted common shares that were not vested at such date).

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WHITE MOUNTAINS INSURANCE GROUP, LTD.

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## Part I. FINANCIAL INFORMATION.

## Item 1. Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.  
CONSOLIDATED BALANCE SHEETS

(Millions, except share amounts)	September 30, 2014	December 31, 2013
Assets	Unaudited	
Fixed maturity investments, at fair value	\$ 4,785.5	\$5,030.5
Short-term investments, at amortized cost (which approximates fair value)	834.9	635.9
Common equity securities, at fair value	986.1	1,156.8
Convertible fixed maturity investments, at fair value	48.9	80.5
Other long-term investments	320.9	288.9
Total investments	6,976.3	7,192.6
Cash (restricted: \$23.8 and \$56.1)	543.5	382.8
Reinsurance recoverable on unpaid losses	430.7	428.1
Reinsurance recoverable on paid losses	27.2	25.4
Insurance and reinsurance premiums receivable	677.8	518.9
Funds held by ceding entities	123.9	106.3
Investments in unconsolidated affiliates	413.5	321.4
Deferred acquisition costs	204.4	174.7
Deferred tax asset	439.1	512.1
Ceded unearned insurance and reinsurance premiums	114.3	92.4
Accrued investment income	32.7	39.3
Accounts receivable on unsettled investment sales	39.0	12.1
Other assets	466.7	458.1
Assets held for sale	1,699.2	1,880.1
Total assets	\$ 12,188.3	\$ 12,144.3
Liabilities		
Loss and loss adjustment expense reserves	\$ 3,022.9	\$3,079.3
Unearned insurance and reinsurance premiums	1,089.5	901.4
Variable annuity benefit guarantee	11.7	52.8
Debt	678.1	676.4
Deferred tax liability	303.0	356.2
Accrued incentive compensation	187.5	218.3
Ceded reinsurance payable	134.0	71.9
Funds held under insurance and reinsurance contracts	132.2	127.1
Accounts payable on unsettled investment purchases	76.0	20.5
Other liabilities	355.4	362.9
Liabilities held for sale	1,699.2	1,880.1
Total liabilities	7,689.5	7,746.9
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at \$1 par value per share - authorized 50,000,000 shares;		
issued and outstanding 6,028,251 and 6,176,739 shares	6.0	6.2
Paid-in surplus	1,030.9	1,044.9
Retained earnings	2,961.5	2,802.3
Accumulated other comprehensive income (loss), after tax:		
Equity in net unrealized gains (losses) from investments in Symetra common shares	19.1	(40.4
Net unrealized foreign currency translation (losses) gains	(11.9	) 88.4

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Pension liability and other	4.5	4.1
Total White Mountains's common shareholders' equity	4,010.1	3,905.5
Non-controlling interests		
Non-controlling interest - OneBeacon Ltd.	275.6	273.7
Non-controlling interest - SIG Preference Shares	250.0	250.0
Non-controlling interest - HG Global	18.0	16.6
Non-controlling interest - BAM	(114.3	) (97.6
Non-controlling interest - other	59.4	49.2
Total non-controlling interests	488.7	491.9
Total equity	4,498.8	4,397.4
Total liabilities and equity	\$ 12,188.3	\$ 12,144.3
See Notes to Consolidated Financial Statements		

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WHITE MOUNTAINS INSURANCE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME  
Unaudited

(Millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenues:				
Earned insurance and reinsurance premiums	\$538.6	\$500.4	\$1,535.6	\$1,493.3
Net investment income	24.7	27.3	78.1	84.5
Net realized and unrealized investment gains	20.8	28.2	198.5	66.1
Other revenue	5.3	18.2	8.3	46.9
Total revenues	589.4	574.1	1,820.5	1,690.8
Expenses:				
Loss and loss adjustment expenses	289.1	278.3	801.1	797.2
Insurance and reinsurance acquisition expenses	105.3	106.7	299.3	281.0
Other underwriting expenses	81.0	80.4	244.3	244.0
General and administrative expenses	69.3	41.5	189.9	125.5
Interest expense	10.3	11.9	30.4	32.4
Total expenses	555.0	518.8	1,565.0	1,480.1
Pre-tax income from continuing operations	34.4	55.3	255.5	210.7
Income tax expense	(7.8 )	(8.2 )	(62.0 )	(49.2 )
Net income from continuing operations	26.6	47.1	193.5	161.5
Net income from discontinued operations, net of tax	6.7	.4	8.8	4.8
Income before equity in earnings of unconsolidated affiliates	33.3	47.5	202.3	166.3
Equity in earnings of unconsolidated affiliates, net of tax	7.0	8.6	33.3	24.9
Net income	40.3	56.1	235.6	191.2
Net loss attributable to non-controlling interests	11.2	1.1	7.1	12.7
Net income attributable to White Mountains's common shareholders	51.5	57.2	242.7	203.9
Other comprehensive (loss) income, net of tax:				
Change in equity in net unrealized (losses) gains from investments in Symetra common shares, net of tax	(9.9 )	(7.2 )	59.5	(81.2 )
Change in foreign currency translation, pension liability and other	(64.3 )	46.6	(100.0 )	8.4
Comprehensive (loss) income	(22.7 )	96.6	202.2	131.1
Comprehensive loss (income) attributable to non-controlling interests	.1	(.1 )	.1	(.1 )
Comprehensive (loss) income attributable to White Mountains's common shareholders	\$(22.6 )	\$96.5	\$202.3	\$131.0
Income per share attributable to White Mountains's common shareholders				

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Basic income per share				
Continuing operations	\$7.35	\$9.20	\$38.07	\$32.05
Discontinued operations	1.10	.06	1.43	.78
Total consolidated operations	\$8.45	\$9.26	\$39.50	\$32.83
Diluted income per share				
Continuing operations	\$7.35	\$9.20	\$38.07	\$32.05
Discontinued operations	1.10	.06	1.43	.78
Total consolidated operations	\$8.45	\$9.26	\$39.50	\$32.83
Dividends declared per White Mountains's common share	\$—	\$—	\$1.00	\$1.00
See Notes to Consolidated Financial Statements				

WHITE MOUNTAINS INSURANCE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(Millions)	White Mountains's Common Shareholders' Equity				
	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest
Balance at January 1, 2014	\$1,051.1	\$2,802.3	\$52.1	\$3,905.5	\$491.9
Net income (loss)	—	242.7	—	242.7	(7.1 )
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	59.5	59.5	—
Net change in foreign currency translation	—	—	(100.3 )	(100.3 )	(.1 )
Net change in pension liability and other accumulated comprehensive items	—	—	.4	.4	—
Total comprehensive income (loss)	—	242.7	(40.4 )	202.3	(7.2 )
Dividends declared on common shares	—	(6.2 )	—	(6.2 )	—
Dividends to non-controlling interests	—	—	—	—	(26.0 )
Repurchases and retirements of common shares	(29.6 )	(77.3 )	—	(106.9 )	—
Issuances of common shares	2.9	—	—	2.9	—
Net contributions from non-controlling	—	—	—	—	29.4



interests					
Amortization of restricted share awards	12.5	—	—	12.5	.6
Balance at September 30, 2014	\$1,036.9	\$2,961.5	\$11.7	\$4,010.1	\$488.7

(Millions)	White Mountains's Common Shareholders' Equity				
	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest
Balance at January 1, 2013	\$1,057.2	\$2,542.7	\$131.9	\$3,731.8	\$526.4
Net income (loss)	—	203.9	—	203.9	(12.7 )
Net change in unrealized losses from investments in unconsolidated affiliates	—	—	(81.2 )	(81.2 )	—
Net change in foreign currency translation	—	—	7.8	7.8	—
Net change in pension liability and other accumulated comprehensive items	—	—	.5	.5	.1
Total comprehensive income (loss)	—	203.9	(72.9 )	131.0	(12.6 )
Dividends declared on common shares	—	(6.2 )	—	(6.2 )	—

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	N
James K. Brewington(4)	\$ 53,500	\$ 35,600		
David E. Brook(5)	\$ 50,000	\$ 35,600		
Andrew H. Chapman(5)	\$ 69,250	\$ 35,600		

Morton Collins(5)	\$ 68,250	\$ 35,600
Chi Chia Hsieh(5)	\$ 61,000	\$ 35,600
Michael J. Landine(6)	\$ 71,500	\$ 35,600

- (1) Each Board member received their annual restricted stock grant of 1 grant if the person is still a member of our Board of Directors on such date determined by multiplying the number of shares of restricted common stock as listed on the NASDAQ on the day of grant. The 2012 grant price of our stock was \$3.56.
- (2) There were no stock options issued in 2012.
- (3) No non-equity incentive compensation, pension, non qualified deferred compensation were made as compensation for director services in fiscal year 2012 under the compensation plan.
- (4) The Director has 25,000 shares of restricted stock awards at December 31, 2012.
- (5) The Director has 25,000 restricted stock awards and 75,000 stock options at December 31, 2012.
- (6) The Director has 25,000 restricted stock awards and 65,000 stock options at December 31, 2012.

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### Audit Committee Report

The Audit Committee of the board currently consists of Andrew H. Chapin, of whom the board has determined is independent under applicable SEC rules, and Mr. Landine, who the board has determined that Mr. Landine is an audit committee financial expert under the rules of the SEC.

The purpose of the Audit Committee is to assist the board in its general oversight of the Company's internal controls and audit functions. The Audit Committee charter, which is available on the Company's website at [www.kopin.com](http://www.kopin.com), under the heading "Investors: Corporate Governance", describes the role and responsibilities of the Audit Committee.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial reporting principles; establishing and maintaining disclosure controls and procedures required by SEC Act Rule 13a-15(e); establishing and maintaining internal control over financial reporting required by SEC Act Rule 13a-15(f); evaluating the effectiveness of disclosure controls and procedures over financial reporting; and evaluating any change in internal control over financial reporting that is reasonably likely to materially affect, internal control over financial reporting.

Deloitte & Touche LLP ( "Deloitte" ), the Company's independent registered public accounting firm, performs an independent audit of the consolidated financial statements and internal control over financial reporting in accordance with financial statements with accounting principles generally accepted in the United States. Deloitte also provides an opinion on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee has reviewed and discussed the consolidated financial statements with management and Deloitte.

During the course of the 2012 fiscal year, management completed the documentation of the Company's system of internal control over financial reporting in response to the requirements of the Sarbanes-Oxley Act of 2002 and related rules and regulations. The Audit Committee has conducted an annual evaluation and provided oversight and advice to management during this process. The Audit Committee received periodic updates provided by management and Deloitte at each Audit Committee meeting. At the conclusion of the process, management provided the Audit Committee with a report on the effectiveness of the Company's internal control over financial reporting. The Audit Committee also reviewed the report of management contained in the Company's Annual Report on Form 10-K for the year ended December 29, 2012, filed with the SEC, as well as Deloitte's report on the effectiveness of the Company's internal control over financial reporting and the Accounting Firm included in the Company's Annual Report on Form 10-K for the year ended December 29, 2012. The Audit Committee continues to oversee the Company's internal control over financial reporting and management's preparations for the evaluation of the effectiveness of the Company's internal control over financial reporting.

The Committee has discussed with Deloitte the matters that are required to be discussed with the Public Company Accounting Oversight Board ( "PCAOB" ), including the matters set forth in the PCAOB's *Communication with Audit Committees*, as amended, and as adopted by the SEC in the *Communication with Audit Committees*. Deloitte has also discussed with the Committee the PCAOB Ethics and Independence Rule 3526, *Communications with Audit Committees*. The Committee discussed with Deloitte the firm's independence.

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Based on its review and the discussion noted above, the Audit Committee  
Consolidated Financial Statements for the fiscal year 2012 be included in  
the 2012 fiscal year for filing with the SEC.

Audit Committee

Michael Landine, Chairperson

Andrew H. Chapman

Morton Collins

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**PROPOSAL 2**

The Board has authorized, subject to stockholder approval, an increase by the 2010 Equity Incentive Plan (the "2010 Stock Plan"). The 2010 Stock Plan (the "Prior Plan") and 1992 Stock Option Plan under which we could grant

The purpose of the 2010 Stock Plan is to encourage ownership of the Company and provide additional incentive for them to promote the success of the Company. The 2010 Stock Plan:

Aligns the long-term interests of key employees and stockholders with the Company's compensation and stockholder return;

Enables key employees to develop and maintain a substantial ownership stake in the Company;

Provides incentives for key employees to contribute to the success of the Company. The amended 2010 Stock Plan is being submitted to stockholders for approval in the best of interest of the Company and its stockholders to approve the amended number of shares available under the 2010 Stock Plan.

**Summary of the 2010 Stock Plan**

The key features of the 2010 Stock Plan are summarized below. This summary is important to you. The complete text of the 2010 Stock Plan is attached as an exhibit to this filing.

*Administration.* The Compensation Committee of the Board of Directors will administer and interpret the 2010 Stock Plan.

*Eligibility.* Participants in the 2010 Stock Plan may be employees, officers, directors and affiliates.

*Term.* Awards may be granted under the 2010 Stock Plan at any time in the future by the Plan by the Company's stockholders, and ending on the issuance of a new set of stock options may only be granted within ten years of the Board's approval.

*Shares Available.* If this Proposal Number Two is approved by our stockholders, shares may be issued pursuant to awards under the 2010 Stock Plan (including incentive shares of common stock, *plus* (1) the number of shares of common stock which were outstanding as of April 29, 2010, (2) the number of shares of common stock which were issued under the Plan as of April 29, 2010 ( *Prior Plan Awards* ) and, after April 29, 2010, (3) the number of shares of common stock delivered to the Company either in satisfaction of tax withholding obligations in respect of *Prior Plan Awards* or covered by options or other awards granted to any one person in any one year of shares of stock subject to the 2010 Stock Plan. As of March 20, 2013, the number of shares available for issuance under the 2010 Stock Plan to our stockholders is as follows:

Shares Authorized under the 2010 Stock Plan through December 29, 2013	1,000,000
Shares proposed under Proposal Number Two at the 2013 Annual Meeting	100,000
Shares available under the 2001 Equity Incentive plan as of the Effective Date	1,000,000
Awards outstanding under the 2001 Equity Incentive as of the Effective Date	(100,000)
Cancelled or expired	(100,000)

Maximum shares issuable under the 2010 Stock Plan	1,000,000
Less equity awards issued	(100,000)

Shares available for issuance under the 2010 Stock Plan	900,000
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*Award Types.*

Stock-Based Awards. In recent years, the Compensation Committee has granted awards under the 2010 Stock Plan and the Prior Plan. Stock grants and restricted stock awards are made only in limited circumstances as provided in the 2010 Stock Plan. A restricted stock award is a grant of shares of common stock not subject to restriction except in limited circumstances as provided in the 2010 Stock Plan. A restricted stock award is subject to forfeiture. Restricted stock awards are generally awarded subject to vesting over a predetermined period of time, the achievement of performance goals, or a combination thereof. Dividends and distributions on restricted stock awards will constitute additional restricted stock, subject to the same restrictions as the underlying shares. Dividends and distributions on restricted stock awards will constitute additional restricted stock, subject to the same restrictions as the underlying shares in respect of which such shares of stock or other securities are paid.

Stock Option Awards. Options granted under the 2010 Stock Plan may be exercised for favorable tax treatment for the option holder, or non-statutory stock options may be granted to employees of the Company or a subsidiary. The exercise price for incentive stock options is the fair market value of the Company's common stock on the grant date. The exercise price for non-statutory stock options is determined by the Compensation Committee. The exercise price can be determined by the Compensation Committee's sole discretion and approval, in the Company's promissory note if allowed by applicable law. Generally, options are not transferable and distribution and may be exercised during the participant's life only by the participant. Non-statutory stock options may be transferred, other than for value, to a transferee or certain trusts. All unexercised incentive stock options terminate when determined by the Compensation Committee after the 10th anniversary of grant (or on the 5th anniversary of grant if the participant dies before the 10th anniversary of grant). All unexercised non-statutory stock options terminate when determined by the Compensation Committee after the 10th anniversary of grant (or on the 5th anniversary of grant if the participant dies before the 10th anniversary of grant).

*Change-in-Control.* Unless otherwise determined by the Compensation Committee, all outstanding awards vest and all restrictions on the awards lapse.

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*Amendment and Termination.* The Board may amend the 2010 Stock Plan without the consent of any person of rights under the 2010 Stock Plan without that person's consent, (A) increase the number of shares of common stock which may be issued, (B) change the description of eligible participants, or (C) make any other change for which the rules of any relevant stock exchange apply.

*No repricing.* In addition to the amendment provisions described above, the Plan is not repriced, that is, the terms of options may not be amended to reduce the exercise price of options cancelled in exchange for cash or options with an exercise price that is less than the exercise price of other awards.

#### **Federal Income Tax Consequences of Awards.**

This summary of the federal income tax consequences on participants in the Plan is based on laws and regulations in effect on January 1, 2011, which are subject to change. It is not intended to provide the information of stockholders considering how to vote. Participants in the Plan should consult their tax advisors as to the tax consequences of participation.

*Restricted Stock and Stock Grants.* Awards in cash and common stock are made to participants at the time of payment. Awards of restricted stock do not constitute income to the participant until the time as the restrictions lapse, unless the participant elects to realize taxable income at the time of award. The amount equal to the fair market value of the restricted stock award, determined as of the date of the award, plus interest and dividend equivalents earned on awards will also be taxed as compensation. Awards of cash and common stock are subject to withholding and employment taxes.

*Incentive Stock Options.* Except as noted at the end of this paragraph, the exercise of an incentive stock option by a participant upon grant or exercise of an incentive stock option. If the participant exercises an incentive stock option for at least two years after the grant date and the subsequent sale of common stock will give rise to a long-term capital gain, the participant will recognize ordinary income equal to the difference between the sale price and the option exercise price, and any additional tax consequences. If the participant sells the shares of common stock before the later of two years after the grant date or two years after the exercise date, the participant will recognize ordinary income equal to the difference between the sale price and the option exercise price, and any additional tax consequences. Participants may have to pay alternative minimum tax in connection with the exercise of an incentive stock option.

*Nonstatutory Stock Options.* Generally, there are no federal income tax consequences on the exercise of a nonstatutory stock option. Upon the exercise of a nonstatutory stock option, the participant will recognize ordinary income equal to the amount, if any, by which the fair market value of the common stock exceeds the exercise price. A sale of common stock so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the common stock on the exercise and sale date.

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*Company Deduction; Qualified Performance-Based Awards.* The Company ordinary income recognized by the recipient of an award under the 2010 Stock Plan. The Company may not deduct as compensation expense more than \$1 million per executive. This deduction limitation does not apply to certain types of compensation, including non-performance based compensation. The 2010 Stock Plan provides that performance goals set for awards to these executives which the Compensation Committee intends to award will be based only on one or more of the following business criteria:

cash flow (before or after dividends)

stock price

stockholder return or total stockholder return

return on investment

market capitalization

sales or net sales

income, pre-tax income or net income

operating profit, net operating profit or economic profit

return on operating revenue or return on operating assets

general and administrative expenses

customer service

market share improvement

cash from operations  
earnings per share (including without limitation, earnings before interest and taxes)

return on equity

return on capital (including, without limitation, return on total capital)



return on assets or net assets

debt leverage (debt to capital)

backlog

operating income or pre-tax profit

gross margin, operating margin or profit margin

economic value added

operating ratio

revenue

operating revenue

*Deferred Compensation.* For purposes of the foregoing summary of federal income tax consequences, an award under the 2010 Stock Plan will be considered a deferred compensation arrangement under the legislation governing nonqualified deferred compensation arrangements. It is assumed that, if any award were considered to any extent to constitute a deferred compensation arrangement, it would not meet the requirements of that legislation. If an award includes deferred compensation and does not meet the requirements of the legislation, then such award will be taxable when it is received. If an award is not taxable when it is received, the recipient will be subject to a 20% additional tax.

*Awards to Particular Officers, Etc.* The benefits or amounts that will be paid under the 2010 Stock Plan will be determined by the Compensation Committee in its discretion. The Compensation Committee will determine the benefits or amounts that will be paid to (i) each of the officers listed in the Summary Compensation Table, (ii) each of the executive officers of the Company, (iii) all directors of the Company who are not executive officers of the Company, (iv) all executive officers of the Company as a group, and (v) all employees of the Company as a group. The number of shares of common stock that will be awarded is not determinable. Individuals who will participate in the 2010 Stock Plan will be determined by the Compensation Committee in its discretion.

**The Board recommends that the stockholders vote FOR the proposed amendment to the 2010 Stock Plan by 300,000 the number of shares of common stock authorized for issuance under the 2010 Stock Plan. The enclosed proxy will be so voted unless a contrary vote is indicated. This recommendation is based on the information contained in the proxy statement and the shares of the common stock represented in person or by proxy at the annual meeting of the stockholders. The approval of the amendment of the 2010 Stock Plan.**

**PROPOSAL 3**

**RATIFICATION OF APPOINTMENT OF**

Deloitte & Touche LLP, independent certified public accountants, has been the accounting firm of the Company since 1985. The board has recommended that the stockholders reappoint Deloitte & Touche LLP as the Company's independent registered public accounting firm.

A representative of Deloitte & Touche LLP is expected to be present at the Meeting to make a statement, if such representative desires to do so, and will be available to answer questions.

**The Board recommends that the stockholders vote FOR the proposal to reappoint Deloitte & Touche LLP, and the enclosed proxy will be so voted unless a contrary vote is indicated.**

The affirmative vote of the holders of a majority of the shares of our common stock present at the Meeting and entitled to vote is required to ratify the reappointment of Deloitte & Touche LLP as the independent registered public accounting firm for the current year. In the event the appointment is not approved by the stockholders, the board will consider making another appointment, but has no obligation to do so.

**Audit Fees**

The aggregate fees for the fiscal years ended December 29, 2012 and December 31, 2011 for our independent registered public accounting firm, Deloitte & Touche LLP, and member firms are as follows:

Fee Category	Fiscal Year 2012
Audit Fees	\$ 1,120,220
Audit-Related Fees	
Tax Fees	24,400
All Other Fees	\$ 2,260
<b>Total Fees</b>	<b>\$ 1,146,880</b>

*Audit Fees* consists of fees for the audit of our financial statements and assurance over our internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. *Audit-Related Fees* consists of fees for consolidated financial statements included in quarterly reports, assistance with the preparation of consolidated financial statements, and other services that are normally provided by Deloitte & Touche LLP in connection with our audit engagements, and attestation services, except those not required by statute or regulation related to sale of our III-V product line.

*Audit-Related Fees* consists of fees for assurance and related services that are not required by statute or regulation and are not reported under this category for 2011 included work performed related to the sale of our III-V product line.

*Tax Fees* consists of fees for tax compliance and planning services. Tax compliance services are related to international tax compliance and preparation. Tax planning services consist of the study and preparation of our subsidiary tax returns.

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*All Other Fees* consists of fees for all other permissible services other than those that were for use of a research data base.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Public Accounting Firm**

The Audit Committee pre-approves all audit and non-audit services provided by a public accounting firm prior to the engagement with respect to such services. The Audit Committee has delegated the authority by the Audit Committee to pre-approve the engagement of a public accounting firm if the entire committee is unable to do so. The Audit Committee approved 100% of the fees for Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees.

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**PROPOSAL 4**

In accordance with Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing our stockholders the opportunity to vote on a non-binding, advisory resolution regarding the compensation of our named executive officers, which is described in the section titled "Compensation Discussion and Analysis." Accordingly, the following resolution will be submitted for a stockholder vote.

**RESOLVED**, that the stockholders of Kopin Corporation (the "Company") approve the compensation of the Company's named executive officers, as described in the section titled "Compensation Discussion and Analysis" set forth in the Proxy Statement for this Annual Meeting.

As described in the section titled "Compensation Discussion and Analysis," we believe that our compensation policies and procedures provide a competitive level of compensation necessary to attract, motivate and retain our executive officers and to motivate them to achieve short-term and long-term corporate goals. We believe that our compensation policies and procedures, including executive pay with our financial performance and the creation of sustainable compensation programs, are designed to ensure that compensation paid to our named executive officers is allocated to performance-based programs to make executive pay dependent on our performance (or, in the case of at-risk compensation, on our performance and on our responsibility and ability to affect our financial results increases, the portion of compensation that is at-risk increases). Stockholders are urged to read the "Compensation Discussion and Analysis" section more thoroughly discusses how our compensation policies and procedures are designed to ensure that compensation paid to our named executive officers is allocated to performance-based programs. The Compensation Committee and the Board believe that these policies and procedures are consistent with our compensation philosophy and in achieving its goals.

This vote is merely advisory and will not be binding upon us or the Board. We encourage our stockholders to vote on executive compensation and other important governance topics with their votes. We encourage our stockholders to vote their shares on this matter.

**Board Recommendation**

**The Board recommends that the stockholders vote to approve the compensation of the Company's named executive officers by voting "FOR" the proposal.**

**Company's named executive officers by voting "FOR" the proposal.**

**Proxies solicited by the Board will be voted "FOR" the proposal.**

**COST AND METHOD OF SOLICITATION**

We will pay the cost of soliciting proxies. Proxies may be solicited on behalf of the Company by our employees in person or by telephone, facsimile or other electronic means. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding proxy materials to beneficial owners of our common stock.

**DIRECTIONS TO THE ANNUAL MEETING**

*From the North:* From the North: From I-93 South and the Tobin Bridge, exiting, proceed on Purchase Street and turn right onto Pearl Street. Turn right onto Federal Street. Proceed to One Federal Street. *From the South:* Take I-93 South. Stay in left lane. While on this long ramp, follow the sign for South Station. At the 3rd traffic light turn right onto Summer Street. Take

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next left onto High Street then take first left onto Federal Street. Proceed onto Mass. Turnpike (I-90) to Exit 24-A (South Station), following signs for Airport onto Summer Street. Continue on Summer Street through 2 traffic lights, onto Federal Street. Proceed to One Federal Street. *From Logan Airport:* Proceed onto Summer Tunnel. Stay in the left lane of the tunnel. At the end of the tunnel, Turn left onto Congress Street. Follow Congress Street to Purchase Street, then turn right onto Summer Street. Turn right at the end of Purchase Street to take first left onto Federal Street. Proceed to One Federal Street. *From the South Station:* Coming out of South Station onto Summer Street, cross Summer Street. Continue on Federal Street, eventually crossing over Franklin Street. One

#### GENERAL

We are not aware of any other matter other than the foregoing to be brought before the proxy gives discretionary authority to the named proxies in the event any

We will provide free of charge to any stockholder from whom a proxy is requested in writing a written request from such stockholder, our Annual Reports on Form 10-K under the Securities Act of 1933, SEC. Our 2012 Annual Report on Form 10-K is enclosed. Only one copy of the report will be being delivered to multiple stockholders sharing one address, unless we have been notified otherwise. We will deliver a separate copy to a stockholder at a shared address to whom we have delivered one copy of the proxy statement and wish to reduce the number of reports delivered to you. Reports on the accounts you select. Requests for the foregoing should be directed to Westborough MA 01581, Attention: Chief Financial Officer, 508-824-6666.

We expect to hold our 2014 annual stockholder meeting on or about May 15, 2014. The proxy for that meeting are expected to be mailed approximately thirty days prior to the meeting.

JOHN C.C. FAN

*Chairman*

KOPIN CORPORATION  
2010 EQUITY INCENTIVE  
(As Amended and Restated)

KOPIN CORPORATION

2010 EQUITY INCENTIVE

(As Amended and Restated)

1. Purpose

This Plan is intended to encourage ownership of Stock by employees, contractors, Affiliates and to provide additional incentive for them to promote the success of the Company. Awards of or pertaining to shares of the Company's Stock. The Plan is intended to be exempt from the meaning of Section 422 of the Code, but not all Awards are required to be so exempt.

2. Definitions

As used in this Plan, the following terms shall have the following meanings:

2.1. Accelerate, Accelerated, and Acceleration, means: (a) when used with respect to an Option, reference the Option will become exercisable with respect to some or all of the shares of the Company otherwise exercisable by its terms; and (b) when used with respect to Restricted Stock, the term shall be applicable to the Stock shall expire with respect to some or all of the shares of the Company subject to the Risk of Forfeiture.

2.2. Affiliate means any corporation, partnership, limited liability company, trust, or other entity controlled by or under common control with the Company.

2.3. Award means any grant or sale pursuant to the Plan of Options, Restricted Stock, or Restricted Stock Units.

2.4. Award Agreement means an agreement between the Company and the recipient of an Award, setting forth the terms and conditions of the Award.

2.5. Board means the Company's Board of Directors.

2.6. Change of Control means the occurrence of any of the following after the date of the Plan:

(a) a Transaction (as defined in Section 8.4), unless securities possessing more than 50% of the survivor's or acquiror's outstanding securities (or the securities of the survivor or acquiror who held securities possessing more than 50% of the total combined voting power of the survivor or acquiror immediately prior to that transaction, or

(b) any person or group of persons (within the meaning of Section 13(d)(3) of the Exchange Act, as amended and in effect from time to time) directly or indirectly acquires, by purchase, merger, consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission rules) under the said Exchange Act) of securities possessing more than 20% of the total combined voting power of the outstanding securities unless pursuant to a tender or exchange offer made by the Company and the Board recommends such stockholders accept, other than (i) the Company or any of its Affiliates, (ii) the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities for the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities, or

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(c) over a period of 36 consecutive months or less, there is a change in the composition of the Board members (rounded up to the next whole number, if a fraction) at the election of Board members, to be composed of individuals who either (i) have been elected or nominated for election at the beginning of that period, or (ii) have been elected or nominated for election at least a majority of the Board members described in the preceding clause (c) and the election or nomination was approved by the Board.

2.7. Code means the Internal Revenue Code of 1986, as amended from time to time and the regulations issued from time to time thereunder.

2.8. Committee means the Compensation Committee of the Board, which is established under the Plan, as provided in Section 5 of this Plan. For any period during which the Committee is not in existence, shall mean the Board and all authority and responsibility assigned to the Committee shall, in all, by the Board.

2.9. Company means Kopin Corporation, a corporation organized under the laws of the State of Delaware.

2.10. Grant Date means the date as of which an Option is granted, as determined by the Committee.

2.11. Incentive Option means an Option which by its terms is to be treated as an Incentive Option under Section 422 of the Code.

2.12. Market Value means the value of a share of Stock on a particular date. The value of a share of Stock may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of a share of Stock on a particular date is the closing price for the Stock as reported on the NASDAQ Global Market (or any other exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the next preceding date for which a closing price was reported.

2.13. Nonstatutory Option means any Option that is not an Incentive Option.

2.14. Option means an option to purchase shares of Stock.

2.15. Optionee means a Participant to whom an Option shall have been granted.

2.16. Participant means any holder of an outstanding Award under the Plan.

2.17. Performance Criteria and Performance Goals have the meanings given to them in the Plan.

2.18. Plan means this 2010 Equity Incentive Plan of the Company, as amended from time to time, together with all attachments or addenda hereto.

2.19. Qualified Performance-Based Awards means Awards intended to qualify for treatment as Qualified Performance-Based Awards under Section 162(m) of the Code.

2.20. Restricted Stock means a grant or sale of shares of Stock to a Participant under the Plan.

2.21. Restriction Period means the period of time, established by the Committee, during which the shares of Restricted Stock are subject to a Risk of Forfeiture Agreement.



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2.22. Risk of Forfeiture means a limitation on the right of the Participant Company to reacquire shares of Restricted Stock at less than its then Market Value in the event of the non-occurrence of specified events or conditions, including Performance

2.23. Stock means common stock par value \$0.01 per share, of the Company, as defined for Stock pursuant to Section 8.

2.24. Stock Grant means the grant of shares of Stock not subject to restrictions

2.25. Stockholders' Agreement means any agreement by and among the Company and its voting securities of the Company and setting forth, among other provisions, the terms, conditions or on the exercise of rights appurtenant thereto (including but not limited to

2.26. Ten Percent Owner means a person who owns, or is deemed within the meaning of Section 871(b), to own, stock possessing more than 10% of the total combined voting power of all classes of parent or subsidiary corporations of the Company, as defined in Sections 871(b) and 877(b), if such a person is a Ten Percent Owner shall be determined with respect to an Option, as of the date of the Grant Date of the Option.

### 3. Term of the Plan

Unless the Plan shall have been earlier terminated by the Board, Awards under the Plan shall be made during the period commencing on the later of the date of approval of the Plan by the Board and the date of approval by the stockholders (the Effective Date), and ending on the issuance of all of the Awards under the Plan pursuant to the Plan within that period shall not expire solely by reason of the expiration of the term of the Plan. Options may only be granted through the tenth anniversary of the earlier of the date of approval of the Plan by the Company's stockholders.

### 4. Stock Subject to the Plan

At no time shall the number of shares of Stock issued pursuant to or subject to the Plan (including pursuant to Incentive Options), nor the number of shares of Stock available for grant under the Plan, exceed 2,300,000 shares of Stock; *subject, however*, to the provisions of Section 8(b) of the Plan, the number of shares of common stock which are available for grant under the Company's 2001 Incentive Plan as of the Effective Date (Prior Plan Awards) and, after the expiration of the term of the Plan or expire, and (3) the number of shares of common stock delivered to the recipient of the Award or in satisfaction of tax withholding obligations in respect of Prior Plan Awards.

For purposes of applying the foregoing limitation, settlement of any Award shall be deemed to occur, except to the extent settled in the form of Stock and, without limiting the

(a) if any Option expires, terminates, or is cancelled for any reason without the consent of the Company, the Award is forfeited by the recipient or repurchased at less than its Market Value, the number of shares of Stock not purchased by the Optionee or which are forfeited by the recipient shall be added to the number of shares of Stock to be granted under the Plan;

(b) if any Option is exercised by delivering previously owned shares of Stock, the net number of shares, that is, the number of shares of Stock issued minus the payment of the exercise price, shall be considered to have been issued pursuant to the Plan.

(c) any shares of Stock either tendered or withheld in satisfaction of tax withholding obligations of an Affiliate shall again be available for issuance under the Plan.

Shares of Stock issued pursuant to the Plan may be either authorized but unissued or purchased from its treasury.

#### 5. Administration

The Plan shall be administered by the Committee; *provided, however*, that the Board may itself exercise any of the powers and responsibilities assigned to the Committee and shall have the benefit of all of the provisions of the Plan pertaining to the Awards hereunder to employees who are not officers, and to consultants, and the Committee shall set forth at any time or from time to time. Subject to the complete authority, in its discretion, to make or to select the manner of making Awards to be granted by the Company under the Plan including the employee, consultant, or director, the form of Award. In making such determinations, the Committee may take into account the interests of the respective employees, consultants, and directors, their present and potential positions with the Company and its Affiliates, and such other factors as the Committee in its discretion may deem appropriate. Under the Plan, the Committee shall also have complete authority to interpret the terms and provisions of the Plan, the regulations relating to it, to determine the terms and provisions of the Plan (which shall be identical), and to make all other determinations necessary or advisable for the Plan. All determinations made in good faith on matters referred to in the Plan shall be final and binding, and no person having or claiming any interest under the Plan or an Award made pursuant to the Plan shall have any right to object to or set aside any such determination.

#### 6. Authorization of Grants

6.1. Eligibility. The Committee may grant from time to time and at any time Awards, either alone or in combination with any other Awards, to any employee of the Company and its Affiliates or to any non-employee member of the Board of Directors (in the authority) of any Affiliate. However, only employees of the Company, and not directors of the Company, as defined in Sections 424(e) and (f), respectively, of the Code shall be eligible for Options. Further, in no event shall the number of shares of Stock covered by an Award to any person in any one calendar year exceed 50% of the aggregate number of shares of Stock outstanding at the end of the year, after adjustment pursuant to Section 8 of the Plan, except that any such adjustment shall not apply to covered employees within the meaning of Section 162(m) of the Code in connection with Performance-Based Awards).

6.2. General Terms of Awards. Each grant of an Award shall be subject to the terms and conditions (including but not limited to any specific terms and conditions applicable to the Award under Section), and such other terms and conditions, not inconsistent with the terms and conditions of the Plan. No prospective Participant shall have any rights with respect to an Award until the Award is granted in compliance with the applicable terms and conditions of such Award (including any agreement evidencing an Award to the Company).

6.3. Effect of Termination of Employment, Etc. Unless the Committee shall determine otherwise, if the Participant's employment or other association with the Company or the Participant's employer ceasing to be an Affiliate, (a) any outstanding Award shall be exercisable in any respect not later than 90 days following that event and, (b) any Award not exercisable at the date of that event, shall be exercisable only to the extent exercisable at the date of that event. All Awards shall be forfeited or otherwise subject to return to or repurchase by the Company under the applicable Award Agreement. Cessation of the performance of services in any capacity shall not result in termination of an Award while the Participant continues to perform services in any capacity as a director. Military or sick leave or other bona fide leave shall not be deemed a termination of the association, *provided* that it does not exceed the longer of ninety (90) days or the period of the Participant's reemployment rights, if any, are guaranteed by statute or by contract. To the extent applicable, the Committee may provide that Awards continue to vest for some or all of the period of such leave and shall be tolled during any such leave and only recommence upon the Participant's return to work.

6.4. Non-Transferability of Awards. Except as otherwise provided in this Section, no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise disposed of by will or by the laws of descent and distribution. All of a Participant's interest in an Award shall be transferred only by the Participant or the Participant's legal representative. The grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, shall be made to the recipient to a family member; *provided, however*, that any such transfer shall be valid only if, in whole or in part, whatsoever and that no transfer shall be valid unless first approved by the Committee. For purposes of this Section, family member means any child, stepchild, grandchild, parent, grandparent, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, or any other person, by adoptive relationships, any person sharing the employee's household (other than the employee), or any other person if the foregoing persons have more than fifty (50) percent of the beneficial interest in the Award (or the Participant) control the management of assets, and any other entity that controls more than fifty (50) percent of the voting interests.

## 7. Specific Terms of Awards

### 7.1. Options.

(a) Date of Grant. The granting of an Option shall take place at the time specified in the applicable Award Agreement shall the Grant Date be the date the Award has been duly executed and delivered by the Company and the Optionee.

(b) Exercise Price. The price at which shares of Stock may be acquired under an Option shall be 100% of the Market Value of Stock on the Grant Date, or not less than 100% of the Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner. The price at which shares of Stock may be acquired under an Option shall not be so limited solely by reason of this Section.

(c) Option Period. No Incentive Option may be exercised on or after the tenth anniversary of the Grant Date if the Optionee is a Ten Percent Owner. The period of an Option shall not be so limited solely by reason of this Section.

(d) Exercisability. An Option may be immediately exercisable or become exercisable at a later date, as the Committee may determine. In the case of an Option that is not immediately exercisable, the Committee may Accelerate such Option in whole or in part at any time; *provided, however*, that, in the case of an Option, any such Acceleration of the Option would not cause the Option to be exercisable under the Code or the Optionee consents to the Acceleration.

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(e) Method of Exercise. An Option may be exercised by the Optionee giving written notice to the Company pursuant to Section 16, specifying the number of shares of Stock with respect to which the exercise shall be accompanied by payment in the form of cash or check payable to the Company, or the exercise price of the shares of Stock to be purchased or, subject in each case to the sole discretion, and to such conditions, if any, as the Committee may deem appropriate for the Company,

(i) by delivery to the Company of shares of Stock having a Market Value equal to the exercise price of the shares purchased, or

(ii) by surrender of the Option as to all or part of the shares of Stock for which the Option was granted, and (1) the shares of Stock having an aggregate Market Value equal to the difference between the exercise price of the surrendered portion of the Option, and (2) the aggregate exercise price of the surrendered portion of the Option, or

(iii) unless prohibited by applicable law, by delivery to the Company of the cash equivalent of the principal amount equal to the exercise price of the shares of Stock to be purchased, and the Committee shall have approved.

If the Stock is traded on an established market, payment of any exercise price shall be made in cash and conditions of any formal cashless exercise program authorized by the Company (including the exercise of an Option in a brokered transaction (other than to the Company)). Receipt of cash or payment by any other authorized or combination of authorized means shall constitute the exercise of the Option, but subject to the remaining provisions of the Plan, the Company shall deliver to the Optionee a certificate or certificates for the number of shares then being purchased, if the shares are nonassessable.

(f) Limit on Incentive Option Characterization. An Incentive Option shall be exercisable to the extent that the number of shares of Stock for which the Option first becomes exercisable shall not exceed the aggregate Market Value (as of the date of the grant of the Option) in excess of the aggregate Market Value of the Optionee for any calendar year shall be \$100,000 *minus* the aggregate Market Value of the shares of Stock available for purchase for the first time in the same year under the Plan, and under each other incentive stock option plan granted to the Optionee under the Plan, and under each other incentive stock option plan of the Company and its Affiliates, and any other incentive stock option plan of the Company and its Affiliates, and any other incentive stock option plan that would cause the foregoing limit to be violated shall be deemed to have been granted under the Plan, and otherwise identical in its terms to those of the Incentive Option.

(g) Notification of Disposition. Each person exercising any Incentive Option shall be deemed to have covenanted with the Company to report to the Company any disposition of the shares of Stock underlying the Option prior to the expiration of the holding periods specified by Section 422(a)(1) of the Internal Revenue Code, and the realization of income in such a disposition imposes upon the Company federal income tax withholding requirements, or any such withholding is required to secure for the Company the amount to be paid to the Company an amount in cash sufficient to satisfy those requirements.

#### 7.2. Restricted Stock.

(a) Purchase Price. Shares of Restricted Stock shall be issued under the Plan for the purchase price of the services, or any combination thereof, as is determined by the Committee.

(b) Issuance of Certificates. Each Participant receiving a Restricted Stock Award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be issued to the Participant, and, if applicable, shall bear an appropriate legend referring to such Award substantially in the following form:

The shares evidenced by this certificate are subject to the terms and conditions of the Restricted Stock Plan and an Award Agreement entered into by the registered owner and Participant, and the Award Agreement furnished by the Company to the holder of the shares evidenced by this certificate.

(c) Escrow of Shares. The Committee may require that the stock certificate for the Award be held in custody by a designated escrow agent (which may but need not be the Company) until the Award lapses, and that the Participant deliver a stock power, endorsed in blank, to the escrow agent.

(d) Restrictions and Restriction Period. During the Restriction Period applicable to the Award, the Participant shall be subject to limitations on transferability and a Risk of Forfeiture of the Award based on the performance of services, Company or Affiliate performance or otherwise as set forth in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or extended, or shortened, at any time by the Committee on such basis as it deems appropriate.

(e) Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award. Except as otherwise provided in the applicable Award Agreement, at all times prior to lapse of any Risk of Forfeiture of the Award, Restricted Stock, the Participant shall have all of the rights of a stockholder of the Company, including the right to receive any dividends with respect to, the shares of Restricted Stock. Dividends payable in shares of Stock or other securities of the Company shall constitute the Award. In the event of a Risk of Forfeiture as the shares of Restricted Stock in respect of which such Award is made, the Committee, as determined at the time of Award, may permit or require that the Award be reinvested in the Award, the Committee so determines, reinvested in additional Restricted Stock to the extent of the Award under Section 4.

(f) Lapse of Restrictions. If and when the Restriction Period expires with respect to the Award, the certificates for such shares shall be delivered to the Participant promptly.

7.3. Stock Grants. Stock Grants shall be awarded solely in recognition of the achievement or success of the Company or its Affiliates, as an inducement to employment or retention, and in such other limited circumstances as the Committee deems appropriate, subject to the conditions of any kind.

#### 7.4. Qualified Performance-Based Awards.

(a) Purpose. The purpose of this Section 7.4 is to provide the Committee with authority to award compensation under Section 162(m) of the Code. If the Committee, in its discretion, awards a Performance-Based Award, the provisions of this Section 7.4 will control. In the course of granting any Award, the Committee may specifically designate an Award as a Qualified Performance-Based Award. However, no Award shall be considered a Qualified Performance-Based Award solely because the Award is not expressly designated as such if the Award otherwise satisfies the provisions of this Section 7.4 and the Award is not applicable to performance-based compensation.



pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) economic profit, (xviii) gross margin, operating margin or profit margin, (xix) operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating leverage, (xxiii) general and administrative expenses and (xxiv) customer service.

(ii) Performance Goals means, for a Restriction Period, the written goal or goals for the Restriction Period based upon one or more of the Performance Criteria. The Performance Goals may reflect overall Company performance or the performance of a division, product, or service, either individually, alternatively or in any combination, applied to either the Company or an Affiliate, either individually, alternatively or in any combination, and measured over a period of years, on an absolute basis or relative to a pre-established comparison group, in each case as specified by the Committee. The Committee, in calculating the Performance Goal or Goals it selects to use for such Restriction Period, or to what extent there shall not be taken into account any of the following: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) extraordinary events, principles or other such laws or provisions affecting reported results, (iv) stock repurchase programs and (v) any extraordinary, unusual, non-recurring or non-comparable items. (B) as described in management's discussion of financial condition and results of operations appearing in the Company's Annual Report to stockholders, as announced by the Company in a press release or conference call relating to the Restriction Period condition for a completed quarterly or annual fiscal period.

7.5. Awards to Participants Outside the United States. The Committee may grant an Award to a Participant who is, at the time of grant or during the term of the Award, not a resident of the United States in any manner deemed by the Committee to be necessary to comply with and conform to laws, regulations, and customs of the country in which the Participant is resident so that the value and other benefits of the Award to the Participant, as affected by the laws applicable as a result of the Participant's residence or employment abroad, are not reduced. The Award to a Participant who is resident or primarily employed in the United States shall be subject to the amendments, restatements, or alternative versions of the Plan for the purpose of the Award, modified Award. No such modification, supplement, amendment, restatement, or alternative version shall limit of Section 4.

## 8. Adjustment Provisions

8.1. Adjustment for Corporate Actions. All of the share numbers set forth in the Plan as of March 17, 2010. If subsequent to that date the outstanding shares of the Plan by reason of the prior application of this Section) are increased, decreased, or otherwise changed in kind of shares or other securities, or if additional shares or new or different securities are added with respect to shares of Stock, as a result of a reorganization, recapitalization, stock split, or other similar distribution with respect to such shares of Stock, the Plan shall be made in (i) the maximum numbers and kinds of shares provided in Section 4.1, (ii) the securities subject to the then outstanding Awards, (iii) the exercise price of the then outstanding Options (without change in the aggregate purchase price of the then exercisable), and (iv) the repurchase price of each share of Restricted Stock subject to a Company repurchase right.

8.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of a corporate action not specifically covered by the preceding Section, including but not limited to a merger, acquisition, the sale of the Company's Stock, a corporate separation or other reorganization or liquidation, the Company shall adjust the terms and conditions of the Awards and their terms, if any, as it, in its sole discretion, may deem equitable. The Committee may make adjustments in the terms and conditions of, and the exercise price of, the Awards in the event of unusual or nonrecurring events (including, without limitation, the events described in the preceding Section) or in the event of changes in the financial statements of the Company or of changes in applicable laws. The Committee may also make adjustments in the event the Committee determines that such adjustments are appropriate in order to provide for the full realization of the potential benefits intended to be made available under the Plan.

8.3. Related Matters. Any adjustment in Awards made pursuant to Section 8.2 shall be made by the Committee, acting in its sole discretion, and shall include any correction of the exercise price, rates of vesting or exercisability, Risks of Forfeiture, applicable Performance Goals and other business objectives which the Committee may determine. The rights of the Participants in their respective Awards are not substantially affected by any adjustment and corporate action other than as expressly contemplated in the preceding Section. In the event the Committee determines that no fraction of a share of Stock shall be purchasable or deliverable pursuant to an adjustment hereunder of the number of shares of Stock covered by an Award, the number of shares of Stock, such number of shares of Stock shall be adjusted to the nearest whole number. In the event of an adjustment of an Option exercise price per share pursuant to Sections 8.1 or 8.2, the exercise price shall not be less than the par value of the Stock.

8.4. Transactions.

(a) Definition of Transaction. In this Section 8.4, Transaction means (1) any sale, transfer, or other disposition of all or substantially all of the assets of the Company or of any subsidiary of the Company into another entity as a result of which the Stock of the Company is converted into securities or other property or is cancelled, (2) any sale or exchange of all or substantially all of the assets of the Company or of any subsidiary of the Company for other property, (3) any sale, transfer, or other disposition of all or substantially all of the assets of the Company or of any subsidiary of the Company to other persons in a single transaction or series of related transactions or (4) any other event that results in a change of control of the Company.

(b) Treatment of Options. In a Transaction, the Committee may take any action that it deems appropriate, including (1) the cancellation of (or any portion of) outstanding Options.

(1) Provide that such Options shall be assumed, or substantially equivalent to, by the acquiring or succeeding entity (or an affiliate thereof).

(2) Upon written notice to the holders, provide that the holders shall not be required to exercise such Options prior to the consummation of such Transaction unless exercised within a specified period of time.

(3) Provide that outstanding Options shall become exercisable in whole or in part upon the consummation of such Transaction.

(4) Provide for cash payments, net of applicable tax withholdings, to be made to the holders of such Options upon the consummation of such Transaction. The amount of such payment shall be the greater of (A) the acquisition price times the number of shares of Stock subject to such Option (or the number of shares of Stock that would have been subject to such Option had such Option been exercised) over (B) the aggregate exercise price for all such Options; provided, that if the acquisition price is less than the exercise price for such Option, the Committee may cancel that Option without the payment of cash. For this purpose, acquisition price means the amount of cash received in payment for a share of Stock surrendered in a Transaction.





a change of control within the meaning of Section 162(m) of the Code, the Performance-Based Award pursuant to this Section 9, but if the Change of Control occurs within the meaning of Section 162(m) of the Code, then the Award shall Accelerate, whether it thereafter ceases to qualify as a Qualified Performance-Based Award.

#### 10. Settlement of Awards

10.1. In General. Options shall be settled in accordance with their terms. An Award in Stock pursuant to the immediately preceding sentence to the extent not reasonably delayed by reason of any other provision of the Plan.

10.2. Violation of Law. Notwithstanding any other provision of the Plan and in the reasonable opinion of the Company, the issuance of shares of Stock or the sale of shares of Stock under any applicable law, rule, or regulation and (ii) in the case where such law, rule, or regulation is administered by or a regulation of the Securities and Exchange Commission, if the Company is not satisfied:

(a) the shares of Stock are at the time of the issue of such shares effective under applicable law, rule, or regulation, as amended; or

(b) the Company shall have determined, on such basis as it deems appropriate (in its sole substance satisfactory to the Company) that the sale, transfer, assignment, or other disposition of shares does not require registration under the Securities Act of 1933, as amended.

The Company shall make all reasonable efforts to bring about the occurrence of the conditions set forth in (a) and (b) above.

10.3. Corporate Restrictions on Rights in Stock. Any Stock to be issued pursuant to this Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter set forth in the articles, and by-laws, of the Company. Whenever Stock is to be issued pursuant to this Plan, or after grant, the Company shall be under no obligation to issue such shares of Stock pursuant to an Award (and any person who exercises any Option, in whole or in part), shall be bound by the Stockholders Agreement, if any. In the event of any conflict between the provisions of the Stockholders Agreement, the provisions of the Stockholders Agreement shall prevail. It is the intention that this Plan constitute an incentive stock option plan within the meaning of Section 422 of the Internal Revenue Code, and as possible the provisions of the Plan and such Agreement shall be construed to conform to such provisions.

10.4. Investment Representations. The Company shall be under no obligation to issue shares of Stock pursuant to an Award unless the shares to be issued pursuant to Awards granted under this Plan are registered under the Securities Act of 1933, as amended, or the Participant shall have made such registration (or an exemption which the Company believes it may reasonably rely) as the Company may require, and the Participant confirming that the issuance of such shares will be exempt from the registration requirements of state securities laws and otherwise in compliance with all applicable laws and regulations, and that the Participant is acquiring the shares for his or her own account for investment purposes and not for sale in connection with, the distribution of any such shares.

10.5. Registration. If the Company shall deem it necessary or desirable to issue shares of Stock pursuant to an Award, or to qualify any such shares of Stock for exemption from the Securities Act of 1933, as amended, or other applicable statutes any shares of Stock issued or to be issued pursuant to this Plan shall be registered under the Securities Act of 1933, as amended, or the Participant shall have made such registration (or an exemption which the Company believes it may reasonably rely) as the Company may require, and the Participant confirming that the issuance of such shares will be exempt from the registration requirements of state securities laws and otherwise in compliance with all applicable laws and regulations, and that the Participant is acquiring the shares for his or her own account for investment purposes and not for sale in connection with, the distribution of any such shares.

amended or other applicable statutes, then the Company shall take such action as may be necessary to cause the Company to be removed from each recipient of an Award, or each holder of shares of Stock acquired by the recipient, from the information to be included for use in any registration statement, prospectus, preliminary prospectus or offering circular, and the Company shall be relieved of that purpose and may require reasonable indemnity to the Company and its directors and officers from the recipient for any losses, claims, damage and liabilities arising from use of the information contained in the prospectus, preliminary prospectus or offering circular, or any material fact therein or caused by the omission to state a material fact therein, or the inclusion of a material fact therein, in the statements therein not misleading in the light of the circumstances under which they were made. The Company may require of any such person that he or she agree that, without the consent of the Company, he or she shall not, directly or indirectly, or through any managing underwriter in any public offering of shares of Stock, he or she shall not, in any way, sell, assign, transfer, hypothecate, or otherwise dispose of any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any such securities, or any interest therein, during the 90-day period commencing on the effective date of the registration statement for the offering of such securities. Without limiting the generality of the foregoing provisions of this section, in connection with any underwritten public offering of securities of the Company the managing underwriter shall require the Company's directors and officers to enter into a lock-up agreement containing the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock who is a director or officer of the Company (regardless of whether such person has complied or complies with the provisions of the lock-up agreement) shall be deemed to have agreed to, the same lock-up terms as those to which the managing underwriter is required to adhere; and (b) at the request of the Company or such managing underwriter, the Company shall deliver a lock-up agreement in form and substance equivalent to that which the managing underwriter shall require the Company's directors and officers.

10.6. Placement of Legends; Stop Orders; etc. Each share of Stock to be issued under the Plan may bear a reference to the investment representation made in accordance with the Plan, and may be subject to any applicable restriction under the Plan, the terms of the Award and if applicable, the fact that no registration statement has been filed with the Securities and Exchange Commission for the Stock. All certificates for shares of Stock or other securities delivered under the Plan shall be subject to stop orders and other restrictions as the Committee may deem advisable under the Plan. The Company shall file any stock exchange upon which the Stock is then listed, and any applicable legends, and any applicable stop orders may cause a legend or legends to be put on any such certificates to make such certificates non-transferable.

10.7. Tax Withholding. Whenever shares of Stock are issued or to be issued under the Plan, the Company shall have the right to require the recipient to remit to the Company the amount of any local or other withholding tax requirements if, when, and to the extent required by applicable law, and to the extent of any such requirements, the Company an otherwise available tax deduction or otherwise) prior to the issuance of such shares. The obligations of the Company under the Plan shall be conditioned upon the Company's obligations and the Company shall, to the extent permitted by law, have the right to deduct from any amount of any kind otherwise due to the recipient of an Award. However, in such event, the Company may, with the approval of the Committee, acting in its sole discretion, to satisfy an applicable withholding tax obligation by having the Company withhold shares of Stock to satisfy their tax obligations. The value of the Stock withheld having a Market Value on the date the tax is to be determined shall be the amount that could be imposed on the transaction. All elections shall be irrevocable, and shall not be subject to any restrictions or limitations that the Committee deems appropriate.

#### 11. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Awards, or any other time, otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (in effect) and the Awards and shall pay all fees and expenses necessarily incurred in connection with the Plan.

12. Limitation of Rights in Stock; No Special Service Rights

A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to the Stock subject to an Award, unless and until a certificate shall have been issued in the name of the Participant as agent. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to the terms thereof which may be now or hereafter imposed by the Certificate of Incorporation of the Company. Nothing contained in the Plan or in any Award Agreement shall confer upon a Participant any right to the continuation of his or her employment or other association with the Company in any way with the right of the Company (or any Affiliate), subject to the terms of any employment agreement or provision of law or corporate articles or by-laws to the contrary, or to any consulting agreement or to increase or decrease, or otherwise adjust, the terms of his or her employment or other association with the Company and its Affiliates.

13. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders shall be construed as creating any limitations on the power of the Board to adopt any other plan that may be deemed desirable, including without limitation, the granting of stock options and other equity-based compensation arrangements may be either applicable generally or only in specific cases.

14. No Guarantee of Tax Consequences

Neither the Company nor any Affiliate, nor any director, officer, agent, or employee of the Company, the Participant or any other person any particular tax consequences as a result of the exercise of an Award or the payment in respect of an Award, including but not limited to that an Option granted under the Plan may or may not qualify as an incentive stock option within the meaning of Section 422 of the Code, or that an Award granted under Section 409A of the Code, pertaining non-qualified plans of deferred compensation.

15. Termination and Amendment of the Plan

15.1. Termination or Amendment of the Plan. The Board may at any time terminate or amend the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, the termination or amendment of the Plan shall not affect the terms of any Award outstanding on the date of such amendment.

15.2. Termination or Amendment of Outstanding Awards: Assumptions. The Board may terminate or amend any Award theretofore granted, prospectively or retroactively, provided that the Award is not subject to the Plan. The Committee also may accept the cancellation of outstanding Awards in exchange for equity-based compensation awards granted by another issuer in return for a specified number of shares of Stock and on the same or different terms and conditions as the original Award (including any Option). Furthermore, the Committee may at any time (a) offer to terminate or amend an Award previously granted or (b) authorize the recipient of an Award to terminate or amend the Award in either case at such time and based upon such terms and conditions as the Committee may determine.

15.3. Limitations on Amendments, Etc.

Without the approval of the Company's stockholders, no amendment or modification of the Plan shall (i) increase the number of shares of Stock which may be issued under the Plan, (ii) make any shares of Stock eligible for Awards, or (iii) effect any other change for which stockholders' approval is required under the relevant stock exchange. Furthermore, except in connection with a corporate reorganization, the Plan shall not be amended to increase the number of shares of Stock which may be issued under the Plan.

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transaction involving the Company, the terms of outstanding Options may be amended, and any outstanding Options may be cancelled in exchange for cash or Options with a value equal to the fair market prices of the original Options, or other Awards, without stockholder approval.

No amendment or modification of the Plan by the Board, or of an outstanding Award, shall be made without the consent of the holder of the rights of the recipient of any Award outstanding on the date of such amendment or modification. No amendment or modification may be, without the Participant's consent; *provided, however*, that no such amendment or modification shall be made if the Compensation Committee, as the case may be, determines in its sole discretion and prior to the date of any such amendment or alteration either is required or advisable in order for the Company to comply with applicable federal securities regulation, including without limitation the provisions of Section 409A of the Internal Revenue Code, or to avoid adverse financial accounting consequences under any accounting standards promulgated by the Financial Accounting Standards Board, determines in its sole discretion and prior to the date of any Change of Control that such amendment or modification is reasonably likely to significantly diminish the benefits provided under the Plan and that the holder of the rights of the recipient is adequately compensated.

#### 16. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any participant shall be deemed to have been received if a written instrument delivered in person or duly sent by first class registered mail, return receipt requested, or by facsimile telecopied with a confirmation copy by regular, certified or overnight mail, is received by the recipient of an Award, at his or her residence address last filed with the Company, or if no such address is on file, at its principal place of business, addressed to the attention of its Treasurer, or other officer, director or employee, or, in any case may be, as the addressee may have designated by notice to the addressee. All notices and other communications shall be deemed to have been received: (i) in the case of delivery in person, when received by the addressee; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile machine report, when received by the addressee.

#### 17. Governing Law

The Plan and all Award Agreements and actions taken thereunder shall be governed by the laws of the Commonwealth of Massachusetts, without regard to conflict of laws principles.

***KOPIN CORPORATION***

125 North Drive, Westborough Ma 01581

**Investor Address Line 1**

**Investor Address Line 2**

**Investor Address Line 3**

**Investor Address Line 4**

**Investor Address Line 5**

**John Sample**

**1234 ANYWHERE STREET**

**ANY CITY, ON A1A 1A1**

**NAME**

**THE COMPANY NAME INC. - COMMON**

**THE COMPANY NAME INC. - CLASS A**

**THE COMPANY NAME INC. - CLASS B**

**THE COMPANY NAME INC. - CLASS C**

**THE COMPANY NAME INC. - CLASS D**

**THE COMPANY NAME INC. - CLASS E**

**THE COMPANY NAME INC. - CLASS F**

**THE COMPANY NAME INC. - 401 K**

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS  
FOLLOWS:      x

PAC

**THIS PROXY CARD IS VALID ONLY WHEN**

**For All** **Withhold All** **For All Except** To withhold a  
 any individual no  
 All  
 Except and  
 the  
 nominee(s) or

**The Board of Directors recommends you vote**

**FOR the following:**

- 1. ELECTION OF DIRECTORS Nominees**

.. ..

- 01 John C. C. Fan      02 James K. Brewington      03 David E. Brook  
 06 Chi Chia Hsieh      07 Michael J. Landine

**The Board of Directors recommends you vote FOR proposals 2, 3 and 4.**

- 2** PROPOSAL TO AMEND THE COMPANY S 2010 EQUITY INCENTIVE PLAN
- 3** PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY
- 4** AN ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.

**NOTE:** IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO ENGAGE IN SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING AN ADJOURNMENT, CONTINUATION OR POSTPONEMENT THEREOF.

For address change/comments, mark here.

(see reverse for instructions)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

**Investor A**  
**Investor A**  
**Investor A**  
**Investor A**  
**Investor A**  
**John Sam**  
**1234 ANY**  
**ANY CIT**



Signature [PLEASE SIGN WITHIN BOX] **JOB #**  
0000135301\_1 R1.0.0.11699

Signature (Join

**Important Notice Regarding the Availability of Proxy Materials for the**  
Statement and annual report on Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com)

**KOPIN CORPORATION**

**Annual Meeting of Stockholders**

**Thursday, May 9, 2013 9:00 AM**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints John C.C. Fan and Richard A. Sneider, attorneys-in-fact, with full power of substitution, on behalf and in the name of our common stock of Kopin Corporation which the undersigned would be entitled to vote at the Annual Meeting of Stockholders to be held on Thursday, May 9, 2013 at 9:00 AM at the offices of Kopin Corporation, an Equal Opportunity Employer, 100 Federal Street, Boston, Massachusetts 02110, or any adjournment thereof. This proxy hereby revokes all former proxies submitted by the undersigned stockholder.

**THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED FOR ALL DIRECTORS LISTED IN THE PROXY STATEMENT, AND FOR PROPOSALS (2), (3), and (4).**

If you vote over the internet or by telephone, please do not mail your proxy card back immediately.

**Address change / comments:**

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(If you noted any Address Changes and/or Comments above, please check the appropriate box(es) on the proxy card.)

**Continued and to be signed on reverse side**

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