

Edgar Filing: RENTRAK CORP - Form 10-K/A

RENTRAK CORP
Form 10-K/A
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 1)

X Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange
---- Act of 1934 for fiscal year ended March 31, 2001 or

Transition report pursuant to Section 13 or 15(d) of the Securities
---- Exchange Act of 1934

Commission file number 0-15159

RENTRAK CORPORATION
(exact name of registrant as specified in its charter)

Oregon	93-0780536
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification Number)

7700 NE Ambassador Place, Portland, Oregon	97220
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 284-7581

Securities registered pursuant to Section 12 (b) of the Act: None
Securities registered pursuant to Section 12 (g) of the Act:
Common stock \$.001 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes	X	No
-----		-----

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K []

As of June 20, 2001, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on the last sales price as reported by NASDAQ, was \$33,400,766.

As of June 20, 2001, the Registrant had 11,167,605 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

PORTIONS OF THE DEFINITIVE PROXY STATEMENT FOR THE 2001 ANNUAL MEETING OF THE SHAREHOLDERS ARE INCORPORATED BY REFERENCE INTO PART III OF THIS FORM 10-K

Edgar Filing: RENTRAK CORP - Form 10-K/A

EXPLANATORY NOTE

Rentrak Corporation (the "Company") is filing this Amendment No. 1 on Form 10-K/A as an amendment to its Annual Report on Form 10-K for the fiscal year ended March 31, 2001 (the "Form 10-K"). The purposes of this Amendment are to (a) correct the cover page of the Form 10-K; (b) amend and restate in its entirety Item 8 of the Form 10-K; (c) correct Exhibits 10.17, 10.18 and 10.19 in the Exhibit Index; and (d) file Exhibits 10.14 and 10.15 as Exhibits to the Form 10-K.

PART II

ITEM 8.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Item	Page
----	----
Report of Independent Public Accountants	25
Consolidated Balance Sheets as of March 31, 2001 and 2000	26
Consolidated Statements of Operations for the Years Ended March 31, 2001, 2000 and 1999	28
Consolidated Statements of Stockholders' Equity for the Years Ended March 31, 2001, 2000 and 1999	29
Consolidated Statements of Cash Flows for the Years Ended March 31, 2001, 2000 and 1999	30
Notes to Consolidated Financial Statements	32
Financial Statement Schedules -- Schedule II	51
Quarterly Financial Data	52
Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.	

-24-

Report of Independent Public Accountants

To Rentrak Corporation:

We have audited the accompanying consolidated balance sheets of Rentrak Corporation (an Oregon corporation) and subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2001. These consolidated financial statements and the schedule referred to below

Edgar Filing: RENTRAK CORP - Form 10-K/A

are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rentrak Corporation and subsidiaries as of March 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedule listed in the index of financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ Arthur Andersen LLP

Portland, Oregon
May 23, 2001

-25-

Rentrak Corporation and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2001 and 2000

ASSETS

	2001	2000
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$3,322,917	\$4,028,271
Accounts receivable, net of allowance for doubtful accounts of \$2,090,075 and \$836,945	11,151,817	21,820,168
Advances to program suppliers	1,328,165	2,982,766
Inventory	3,514,354	3,889,603
Income tax receivable	279,160	169,300
Deferred income taxes	7,319,266	1,878,113
Notes receivable	-	4,061,618

Edgar Filing: RENTRAK CORP - Form 10-K/A

Other current assets	3,291,915	1,757,081
	-----	-----
Total current assets	30,207,594	40,586,920
	-----	-----
PROPERTY AND EQUIPMENT, net	4,439,773	2,642,700
OTHER INVESTMENTS, net	-	302,481
DEFERRED INCOME TAXES	2,419,634	3,346,212
OTHER ASSETS	2,059,247	3,595,041
	-----	-----
Total assets	\$39,126,248	\$50,473,354
	=====	=====

(Continued)

-26-

Rentrak Corporation and Subsidiaries

Consolidated Balance Sheets (Continued)
As of March 31, 2001 and 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

	2001	2000
	-----	-----
CURRENT LIABILITIES:		
Line of credit	\$ 1,917,705	\$ -
Accounts payable	18,699,289	24,162,040
Accrued liabilities	3,418,043	2,645,567
Accrued compensation	1,127,785	1,476,703
Deferred revenue	1,245,643	1,500,262
Note payable	-	500,000
Net current liabilities of discontinued operations	156,046	430,923
	-----	-----
Total current liabilities	26,564,511	30,715,495
	-----	-----
LONG-TERM LIABILITIES:		
Deferred revenue	379,104	1,677,272
Other	795,875	-
	-----	-----
	1,174,979	1,677,272
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.001 par value; authorized: 10,000,000 shares	-	-
Common stock, \$.001 par value; authorized: 30,000,000 shares; issued and outstanding: 12,235,621 shares in 2001 and 10,514,561 shares in 2000	12,236	10,515

Edgar Filing: RENTRAK CORP - Form 10-K/A

Capital in excess of par value	52,471,599	44,445,199
Notes receivable	(7,728,186)	-
Cumulative other comprehensive loss	(49,572)	(264,684)
Accumulated deficit	(32,904,319)	(25,326,951)
Deferred charge - warrants	(415,000)	(783,492)
	-----	-----
Total stockholders' equity	11,386,758	18,080,587
	-----	-----
Total liabilities and stockholders' equity	\$39,126,248	\$50,473,354
	=====	=====

The accompanying notes are an integral part of these consolidated balance sheets.

-27-

Rentrak Corporation And Subsidiaries

Consolidated Statements of Stockholders' Equity For the Years Ended March 31, 2001, 2000 and 1999

	Common Stock		Capital In Excess of Par Value	Notes Receivable	Cumulative Other Comprehensive Income
	Number of Shares	Amount			
	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 1998	10,986,455	\$10,987	\$45,365,298	-	\$5,388,800
Repurchase of common stock	(592,484)	(593)	(1,964,622)	-	
Issuance of common stock under employee stock option plans	45,977	46	118,375	-	
Net income	-	-	-	-	
Change in unrealized gain (loss) on investment securities, net of tax	-	-	-	-	8,000
Total comprehensive income					
Income tax benefit from stock option exercise	-	-	41,428	-	
Issuance of warrants	-	-	84,000	-	
Amortization of warrants	-	-	-	-	
	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 1999	10,439,948	10,440	43,644,479	-	13,388,800
Issuance of common stock under employee stock option plans	74,613	75	228,882	-	
Net income	-	-	-	-	
Change in unrealized gain (loss) on investment securities, net of tax	-	-	-	-	(40,000)
Total comprehensive income					
Income tax benefit from stock option exercise	-	-	27,699	-	
Issuance of warrants	-	-	544,139	-	
Amortization of warrants	-	-	-	-	

Edgar Filing: RENTRAK CORP - Form 10-K/A

BALANCE AT MARCH 31, 2000	10,514,561	10,515	44,445,199	-	(26
Issuance of common stock under employee stock option plans	1,721,060	1,721	8,026,400	(7,728,186)	
Net loss	-	-	-	-	
Change in unrealized gain (loss) on investment securities, net of tax	-	-	-	-	21
Total comprehensive income					
Amortization of warrants	-	-	-	-	
BALANCE AT MARCH 31, 2001	12,235,621	\$12,236	\$52,471,599	\$ (7,728,186)	\$ (4
	=====	=====	=====	=====	=====
	Deferred Charge Warrants	Total	Comprehensive Income (Loss)		
	-----	-----	-----		
BALANCE AT MARCH 31, 1998	\$ (1,382,542)	\$13,254,125			
Repurchase of common stock	-	(1,965,215)			
Issuance of common stock under employee stock option plans	-	118,421			
Net income	-	2,042,506	\$2,042,506		
Change in unrealized gain (loss) on investment securities, net of tax	-	83,102	83,102		
Total comprehensive income			\$2,125,608		
			=====		
Income tax benefit from stock option exercise	-	41,428			
Issuance of warrants	(84,000)	-			
Amortization of warrants	717,537	717,537			
BALANCE AT MARCH 31, 1999	(749,005)	14,291,904			
Issuance of common stock under employee stock option plans	-	228,957			
Net income	-	3,424,806	\$3,424,806		
Change in unrealized gain (loss) on investment securities, net of tax	-	(402,431)	(402,431)		
Total comprehensive income			\$3,022,375		
			=====		
Income tax benefit from stock option exercise	-	27,699			
Issuance of warrants	(544,139)	-			
Amortization of warrants	509,652	509,652			
BALANCE AT MARCH 31, 2000	(783,492)	18,080,587			
Issuance of common stock under employee stock option plans	-	299,935			
Net loss	-	(7,577,368)	\$ (7,577,368)		
Change in unrealized gain (loss) on investment securities, net of tax	-	215,112	215,112		

Edgar Filing: RENTRAK CORP - Form 10-K/A

Total comprehensive income		----- \$ (7,362,256) =====
Amortization of warrants	368,492	368,492
	-----	-----
BALANCE AT MARCH 31, 2001	\$ (415,000)	\$11,386,758
	=====	=====

The accompanying notes are an integral part of these consolidated statements

-28-

Rentrak Corporation and Subsidiaries

Consolidated Statements of Operations For the Years Ended March 31, 2001, 2000 and 1999

	2001	2000	1999
	-----	-----	-----
REVENUES:			
PPT	\$82,773,886	\$93,393,869	\$106,406,342
Other	33,625,162	19,990,351	17,381,048
	-----	-----	-----
	116,399,048	113,384,220	123,787,390
	-----	-----	-----
OPERATING COSTS AND EXPENSES:			
Cost of sales	93,600,177	91,706,290	103,942,898
Selling and administrative	32,967,141	26,448,569	15,995,941
Net (gain) expense from litigation settlement (Note 10)	(225,000)	(7,791,880)	1,099,154
	-----	-----	-----
	126,342,318	110,362,979	121,037,993
	-----	-----	-----
Income (loss) from operations	(9,943,270)	3,021,241	2,749,397
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest income	307,240	743,464	429,830
Interest expense	(768,599)	(669,373)	(381,825)
Gain (loss) on investments	(1,687,314)	(1,207,483)	549,103
Other	-	(385,986)	-
	-----	-----	-----
	(2,148,673)	(1,519,378)	597,108
	-----	-----	-----
Income (loss) from continuing operations before income tax benefit (provision) and gain from disposal of discontinued operations	(12,091,943)	1,501,863	3,346,505
	-----	-----	-----
INCOME TAX BENEFIT (PROVISION)	4,514,575	(450,559)	(1,303,999)
	-----	-----	-----
Net income (loss) from continuing operations	(7,577,368)	1,051,304	2,042,506
	-----	-----	-----
GAIN FROM DISPOSAL OF DISCONTINUED OPERATIONS, INCLUDING INCOME TAX BENEFIT OF \$483,502	-	2,373,502	-
	-----	-----	-----

Edgar Filing: RENTRAK CORP - Form 10-K/A

Net income (loss)	\$ (7,577,368)	\$ 3,424,806	\$ 2,042,506
	=====	=====	=====
EARNINGS (LOSS) PER COMMON SHARE:			
Basic-			
Continuing operations	\$ (.63)	\$.10	\$.19
Discontinued operations	-	.23	-
	-----	-----	-----
Net income (loss) per common share	\$ (.63)	\$.33	\$.19
	=====	=====	=====
Diluted-			
Continuing operations	\$ (.63)	\$.10	\$.18
Discontinued operations	-	.22	-
	-----	-----	-----
Net income (loss) per common share	\$ (.63)	\$.32	\$.18
	=====	=====	=====

The accompanying notes are an integral part of these consolidated statements.

-29-

Rentrak Corporation and Subsidiaries

Consolidated Statements of Cash Flows For the Years Ended March 31, 2001, 2000 and 1999

	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (7,577,368)	\$3,424,806
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities-		
Gain on disposal of discontinued operations	-	(2,373,502)
(Gain) loss on investments	597,124	1,207,483
Gain on litigation settlement	-	(7,791,880)
Depreciation and amortization	1,266,515	1,780,966
Write-off of intangibles	-	421,675
Amortization of warrants	368,492	509,652
Provision (credit) for doubtful accounts	7,758,211	6,341,032
Retailer financing program reserves	1,333,191	(373,394)
Reserves on advances to program suppliers	106,781	110,918
Deferred income taxes	(4,646,420)	(900,272)
Net proceeds from litigation settlement	-	1,847,505
Change in assets and liabilities:		
Accounts receivable	4,184,677	(3,231,008)
Advances to program suppliers	1,547,820	(253,422)
Inventory	162,449	(1,084,620)
Income tax receivable	(109,860)	2,864,901
Notes receivable and other current assets	2,106,259	1,227,099
Accounts payable	(6,778,293)	7,233,746
Accrued liabilities and compensation	423,558	357,860
Deferred revenue	(1,552,787)	3,077,119
Other liabilities	795,875	-
	-----	-----
Net cash provided by (used in) operating activities	(13,776)	14,396,664
	-----	-----

(Continued)

-30-

Rentrak Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
For the Years Ended March 31, 2001, 2000 and 1999

	2001	2000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (2,947,219)	\$ (1,790,501)
Investments in retailer financing program	-	(384,500)
Proceeds from retailer financing program	-	228,539
Purchases of investments	-	(398,122)
Proceeds from sale of investments	1,605,555	975,305
Additions of other assets and intangibles	(792,677)	(6,693)
	-----	-----
Net cash used in investing activities	(2,134,341)	(1,375,972)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) on line of credit	1,917,705	(7,925,000)
Net borrowing (payments) on notes payable	(500,000)	(2,500,000)
Repurchase of common stock	-	-
Issuance of common stock	299,935	228,957
	-----	-----
Net cash provided by (used in) financing activities	1,717,640	(10,196,043)
	-----	-----
NET CASH PROVIDED BY (USED IN) CONTINUING OPERATIONS	(430,477)	2,824,649
NET CASH USED IN DISCONTINUED OPERATIONS	(274,877)	(942,341)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(705,354)	1,882,308
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,028,271	2,145,963
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$3,322,917	\$4,028,271
	=====	=====

The accompanying notes are an integral part of these consolidated statements.

-31-

Rentrak Corporation and Subsidiaries

Notes to Consolidated Financial Statements
March 31, 2001, 2000 and 1999

1. Business of the Companies, Summary of Significant Accounting Policies

Edgar Filing: RENTRAK CORP - Form 10-K/A

and Other Items

Introduction

Rentrak Corporation (the Company) (an Oregon corporation) is principally engaged in the processing of information regarding the rental and sale of video cassettes and the distribution of prerecorded video cassettes to the home video market throughout the United States and Canada using its Pay-Per-Transaction (PPT) revenue sharing program.

Under its PPT program, the Company enters into contracts to lease video cassettes from program suppliers (producers of motion pictures and licensees and distributors of home video cassettes) which are then leased to retailers for a percentage of the rentals charged by the retailers.

The Company's wholly owned subsidiary, 3PF.COM, Inc. (3PF), provides e-fulfillment order processing and inventory management services to e-tailers, wholesalers and businesses requiring just-in-time fulfillment.

The Company's wholly owned subsidiary BlowOut Video, Inc. sells video cassettes and DVDs through its seven retail video stores that operate under the name of BlowOut Video.

Rentrak Japan

In December 1989, the Company entered into a definitive agreement with Culture Convenience Club Co., Ltd. (CCC), Rentrak's joint venture partner in Rentrak Japan, to develop the Company's PPT distribution and information processing business in certain markets throughout the world.

On June 16, 1994, the Company and CCC amended the agreement. Pursuant to this amendment, the Company receives a royalty of 1.67 percent for all sales of up to \$47,905,000, plus one-half of one percent (0.5 percent) of sales greater than \$47,905,000 in each fiscal year. In addition, the Company received a one-time royalty of \$2 million, of which \$1 million was paid in fiscal 1995 and \$1 million was paid in fiscal 1999. The term of the Agreement was extended from the year 2001 to the year 2039. As of March 31, 2001, the Company owned approximately 9 percent of Rentrak Japan. In April 2001, the Company sold or agreed to sell all of its interest in Rentrak Japan (Note 14).

In December 1999, the Company received a prepayment of \$2,500,000 in exchange for \$4,000,000 of credit related to the annual royalty described above. This credit is being recognized in revenues as royalties are earned under the terms of the contract. As of March 31, 2001, \$745,754 had been recorded as current deferred revenue on the accompanying consolidated balance sheet. As discussed in Note 14, in April 2001, this contract was effectively terminated with Rentrak Japan forfeiting its rights to the prepayment.

Rentrak UK Limited

In February 1998, the Company entered into a Shareholders Agreement and a PPT License Agreement with Columbus Holdings Limited and Rentrak UK Limited (Rentrak UK) to develop the Company's PPT distribution and information processing business in the United Kingdom through Rentrak UK. The PPT Agreement remains in force in perpetuity, unless terminated due to material breach of contract, liquidation of Rentrak UK or nondelivery, by the Company to Rentrak UK of all retailer and studio software, including

Edgar Filing: RENTRAK CORP - Form 10-K/A

all updates. Pursuant to the PPT Agreement, during the term of the PPT Agreement, the Company will receive a royalty of 1.67 percent of Rentrak UK's gross revenues from any and all sources. Rentrak UK was originally structured as a joint venture between the Company, which owned 25 percent, Columbus Holdings Limited, which owned 67 percent of the venture and Rentrak Japan, which owns 8 percent. On March 31, 1999, the Company acquired Columbus Holdings Limited's 67 percent interest, and now owns 92 percent of Rentrak UK. The acquisition, which was not material to the operations of the Company, was accounted for as a purchase. During fiscal 2000, Rentrak UK did not generate income or positive cash flow and, as a result, the Company wrote off its investment of \$222,000 in that year. As of March 31, 2001, Rentrak UK continues to not generate income or positive cash flow. Management of the Company is evaluating Rentrak UK's operations and is exploring its options, including selling or closing down the operations. Management intends to make a decision in the second quarter of fiscal 2002.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its majority owned subsidiaries, and those subsidiaries in which the Company has a controlling interest after elimination of all intercompany accounts and transactions. Investments in affiliated companies owned 20 percent to 50 percent are accounted for by the equity method.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include, among others, reserves on financings under the retailer financing program investments (Note 4). Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less at acquisition to be cash equivalents. Included in cash and cash equivalents is \$1,000,000 of restricted cash, as required by its bank, which is held in highly liquid investments. The classification of this cash is determined based on the expected term of the collateral requirement of the operating cash account.

Investment Securities

Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), requires the Company to classify and account for its security investments as trading securities, securities available for sale or securities held to maturity depending on the Company's intent and ability to hold or trade the securities at time of purchase. Securities available for sale are stated on the balance sheet at their fair market value with an adjustment to stockholders' equity reflected in other comprehensive income (loss) as change in net unrealized gains and losses, net of tax. Securities held to maturity are stated at amortized cost.

-33-

Details of the proceeds from the sales of available for sale securities and

Edgar Filing: RENTRAK CORP - Form 10-K/A

realized gains and losses on sales of equity securities for the years ended March 31 are as follows:

	Proceeds -----	Gross Gains -----	Gross Losses -----
2001	\$1,605,555	\$ 9,570	\$(606,694)
2000	975,305	554,971	(121,105)
1999	1,525,538	843,749	(294,646)

When, in management's opinion, available for sale securities have experienced an other than temporary decline, the amount of the decline in market value below cost is recorded in the statement of operations as a loss on investments.

In fiscal year 2000, management determined that certain investments had incurred unrealized losses resulting from other than temporary declines in market value below the cost of the investments. Unrealized losses from other than temporary decline in market value of \$1,245,157 were recorded in gain (loss) on investments in the March 31, 2000 consolidated statement of operations. There were no unrealized losses from other than temporary declines in market value recognized in the March 31, 2001 and 1999 consolidated statements of operations.

Financial Instruments

A financial instrument is cash or a contract that imposes or conveys a contractual obligation or right, to deliver or receive, cash or another financial instrument. The estimated fair value of all material financial instruments, including retailer financing program notes receivable, approximated their carrying values at March 31, 2001 and 2000.

Inventory

Inventory consists of videocassettes, digital video discs (DVDs), and other home entertainment products held for sale and is carried at the lower of cost (first-in, first-out method) or market value.

Property and Equipment

Depreciation of property and equipment is computed on the straight-line method over estimated useful lives of three to five years. Leasehold improvements are amortized over the lives of the underlying leases or the service lives of the improvements, whichever is shorter.

Intangibles and Other Long-Lived Assets

The Company reviews its intangible and other long-lived assets for asset impairment at the end of each quarter, or more frequently when events or changes in circumstances indicate that the carrying amount of intangible and other long-lived assets may not be recoverable. The Company estimates the sum of expected future undiscounted preinterest expense net cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of intangible and other long-lived assets, the Company will recognize an impairment loss in an amount necessary to write down intangible and other long-lived assets to a fair value as determined from expected discounted future cash flows.

Revenue Recognition

Edgar Filing: RENTRAK CORP - Form 10-K/A

The PPT agreements generally provide for a one-time initial order processing fee and continuing transaction fees based on a percentage of rental revenues earned by the retailer upon renting the video cassettes to their customers. The Company recognizes order-processing fees as revenue when the video cassettes are shipped to the retailers and recognizes transaction fees when the video cassettes are rented to consumers.

When the Company's total revenue is fixed, determinable and billable at time of shipment of video cassettes to the retailers, deferred revenue is recorded and recognized as revenue in the statements of operations when the video cassettes are rented to consumers. The corresponding obligation for their share of the fees due to program suppliers is recorded as cost of sales when the revenue is recognized with a corresponding liability recorded as accounts payable. The Company also may charge retailers an application fee upon admission to the PPT program. This fee is recognized as PPT revenue when the application to participate in the PPT program is approved.

Revenues derived from fulfillment activities are recognized when products are shipped and/or services are provided.

During fiscal 2000, the Company received a \$2,500,000 prepayment from a customer in exchange for \$4,000,000 in credit related to a long-term agreement. This prepayment related to periods subsequent to March 31, 2000 and has therefore been recorded as deferred revenue on the accompanying consolidated balance sheet. Deferred revenue will be recognized in future periods as revenues are earned under the terms of the contract. Stockholders and directors, or their families owned interests in several stores participating in the PPT program through fiscal 2000. The Company realized revenues from these stores of approximately \$47,000 and \$99,000 during fiscal 2000 and 1999, respectively.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). Under the liability method specified by SFAS 109, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement basis and tax basis of assets and liabilities as measured by the enacted tax rates for the years in which the taxes are expected to be paid.

Earnings Per Share

Basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed on the basis of the weighted average shares of common stock outstanding plus common equivalent shares arising from dilutive stock options.

The weighted average number of shares of common stock and common stock equivalents and net income (loss) used to compute basic and diluted earnings (loss) per share for the years ended March 31 were calculated as follows:

-35-

	2001		2000	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares of common stock outstanding used to				

Edgar Filing: RENTRAK CORP - Form 10-K/A

compute basic earnings

(loss) per common share	11,985,023	11,985,023	10,477,334	10,477,334
Dilutive effect of exercise of stock options	-	-	-	281,787
Weighted average number of shares of common stock used to compute diluted earnings (loss) per common share outstanding and common stock equivalents	11,985,023	11,985,023	10,477,334	10,759,121
Net income (loss) used in basic and diluted earnings (loss) per common share:				
Continuing operations	\$ (7,577,368)	(7,577,368)	\$1,051,304	\$1,051,304
Discontinued operations	-	-	2,373,502	2,373,502
Net income (loss)	\$ (7,577,368)	(7,577,368)	\$3,424,806	\$3,424,806
Earnings (loss) per common share:				
Continuing operations	\$ (0.63)	(0.63)	\$ 0.10	\$ 0.10
Discontinued operations	-	-	0.23	0.22
Earnings (loss) per common share	\$ (0.63)	\$ (0.63)	\$ 0.33	\$ 0.32

Options and warrants to purchase approximately 3,200,000, 4,400,000 and 4,400,000 shares of common stock were outstanding during the years ended March 31, 2001, 2000 and 1999, respectively, but were not included in the computation of diluted EPS because the exercise price of the options and warrants were greater than the average market price of the common shares.

Advertising Expense

Advertising expense, net of advertising reimbursements, totaled approximately \$492,000, \$952,000 and \$641,000 for the years ended March 31, 2001, 2000 and 1999, respectively.

-36-

Statements of Cash Flows

The Company had the following transactions for the years ended March 31:

	2001	2000
	-----	-----
CASH PAID (RECEIVED) FOR:		
Interest	\$ 253,211	\$ 656,723
Income taxes, net of refunds	111,701	(1,645,085)
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Reclassification of accounts receivable to other assets and other investments	-	1,023,794
Issuance of warrants	-	(544,139)
Tax benefit from stock option exercises	-	(27,699)

Edgar Filing: RENTRAK CORP - Form 10-K/A

Receipt of note receivable in litigation settlement	-	4,000,000
Receipt of common stock in litigation settlement	-	1,944,375
Change in unrealized gain (loss) on investment securities, net of tax	215,112	(402,431)
Notes issued, net of cancellations for common stock	7,728,186	-

Comprehensive Income

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). The Company has adopted SFAS 130. The statement establishes presentation and disclosure requirements for reporting comprehensive income. Comprehensive income includes charges or credits to equity that are not the result of transactions with shareholders. Components of the Company's comprehensive income (loss) consist of the change in unrealized gain (loss) on investment securities (net of tax), net of the reclassification adjustment for gains (losses) included in net income (loss) as of March 31 is as follows:

	2001 -----	2000 -----
Holding gains (losses) arising during the period, net of tax	\$(12,470)	\$(534,988)
Less- Reclassification adjustment for gains (losses) included in net income (loss), net of tax	(227,582) -----	(132,557) -----
Change in unrealized gain (loss) on investment securities, net of tax	\$215,112 =====	\$(402,431) =====

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

-37-

2. Investment Securities

The carrying value and estimated fair value of marketable securities at March 31 were as follows:

	Carrying Value -----	Unrealized Gross Gain -----	Unrealized Gross Loss -----	Fair Value -----
As of March 31, 2001:				
Available for sale-				
Noncurrent:				
Corporate securities	\$ 143,309 =====	\$ 13 =====	\$(79,969) =====	\$ 63,353 =====
As of March 31, 2000:				
Available for sale-				
Noncurrent:				
Corporate securities	\$2,335,290 =====	\$ 30,319 =====	\$(457,233) =====	\$1,908,376 =====

Investment securities that have limited marketability are classified as

Edgar Filing: RENTRAK CORP - Form 10-K/A

noncurrent as it is management's intent not to dispose of the securities within one year.

3. Property and Equipment

Property and equipment, at cost, consists of:

	March 31,	
	2001	2000
Furniture and fixtures	\$8,532,210	\$7,054,568
Machinery and equipment	1,875,159	438,312
Leasehold improvements	2,092,844	2,060,114
	-----	-----
	12,500,213	9,552,994
Less- Accumulated depreciation	(8,060,440)	(6,910,294)
	-----	-----
	\$4,439,773	\$2,642,700
	=====	=====

4. Retailer Financing Program

In 1992, the Company established a retailer financing program whereby, on a selective basis, it provided financing to Participating Retailers that the Company believed had potential for substantial growth in the industry. In connection with these financings, the Company typically made a loan and/or equity investment in the Participating Retailer. In some cases, the Company obtained a warrant to purchase stock in the Participating Retailer. As part of such financings, the Participating Retailer typically agreed to cause all of its current and future retail locations to participate in the PPT System for a designated period of time (usually 5-20 years). These financings are speculative in nature and involve a high degree of risk and no assurance of a satisfactory return on investment can be given.

The loans are reviewed for impairment in accordance with FASB Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114). A valuation allowance has been established for the amount by which the recorded investment in the loan exceeds the

-38-

measure of the impaired loan. As the financings are made, and periodically throughout the terms of the agreements, the Company assesses the recoverability of the amounts based on the financial position of each retailer. The amounts the Company could ultimately receive could differ materially in the near-term from the amounts assumed in establishing the reserves. During the fiscal year 2001, the Company discontinued new financings under this retailer financing program. Write-offs of assets associated with this program during the fiscal year 2001 were \$6.1 million, including \$4.4 million of related accounts receivable due to the Company from Video Update, Inc. The Company seeks to enforce agreements entered into in connection with this program in accordance with their terms to the extent practicable.

At March 31, 2001 the Company had invested or loaned approximately \$6,600,000 under the program and had provided reserves of approximately \$6,600,000. At March 31, 2000 the Company had invested or loaned approximately \$6,600,000 under the program and had provided reserves of approximately \$5,700,000. These

Edgar Filing: RENTRAK CORP - Form 10-K/A

balances are included in other assets.

The activity in the total reserves for the retailer financing program is as follows for the fiscal years ended March 31:

	2001	2000
	-----	-----
Beginning balance	\$5,684,183	\$9,575,688
Additions to reserve	925,216	1,245,157
Write-offs	-	(5,115,665)
Recoveries	(10,885)	(20,997)
	-----	-----
Ending balance	\$6,598,514	\$5,684,183
	=====	=====

A substantial portion of the write-offs in fiscal 2000 related to assets which were fully reserved in prior years.

5. Line of Credit

In May 2000 the Company obtained a replacement line of credit with a lender in an amount not to exceed the lesser of (a) \$12 million or (b) the sum of 85 percent of the net amount of eligible accounts receivable. Interest under the line is payable monthly at the bank's prime rate plus 1/4 percent (8.25 percent at March 31, 2001). The line is secured by substantially all of the Company's assets. The terms of the credit agreement include financial covenants requiring: (1) \$15 million of tangible net worth to be maintained at all times; (2) a consolidated net profit to be achieved each fiscal year equal to or exceeding \$1.00 and (3) \$5 million of working capital to be maintained at all times. The agreement also restricts the amount of loans and indebtedness and limits the payment of dividends on the Company's stock, among other restrictions. This agreement expires in May 2005. Based upon the financial results reported as of March 31, 2001 and the year then ended, the Company has determined it is out of compliance with the three financial covenants at March 31, 2001. The Company has obtained waivers of compliance for these three financial covenants as of March 31, 2001 and for the year then ended. The Company has initiated discussions of these covenants with its lender and is seeking covenant modifications, if necessary. Based upon discussions between the Company and its lender, the Company believes it will successfully receive future waivers and/or modifications, if necessary, and will have sufficient cash resources to repay all outstanding borrowings as due. At March 31, 2001, the Company had \$1,917,705 outstanding borrowings under this agreement.

-39-

6. Related Party Note Payable

On January 29, 1998, the Company entered into a \$3,000,000 unsecured note payable with a director of the Company. The 10 percent interest-bearing note was repaid in full in January 2000. During fiscal 2000, the Company's subsidiary, Blowout Video Holding Company, entered into a \$3,000,000 line of credit with the same director of the Company. The line expires in August 2002 and bears interest at prime plus 1 1/2 percent (9.5 percent at March 31, 2001). The line is secured by substantially all the assets of BlowOut Video Holding Company. At March 31, 2001 and 2000, the Company had \$0 and \$500,000 outstanding under this agreement, respectively.

7. Income Taxes

Edgar Filing: RENTRAK CORP - Form 10-K/A

The provision (benefit) for income taxes is as follows for the years ended March 31:

	2001	2000	1999
	-----	-----	-----
Current tax provision:			
Federal	\$ -	\$ -	\$ -
State	-	125,192	-
	-----	-----	-----
	-	125,192	-
Deferred tax (benefit) provision	(4,514,575)	325,367	1,303,999
	-----	-----	-----
Income tax (benefit) provision	\$(4,514,575)	\$450,559	\$1,303,999
	=====	=====	=====

The reported provision (benefit) for income taxes from continuing operations differs from the amount computed by applying the statutory federal income tax rate of 34 percent to income before provision (benefit) for income taxes as follows for the fiscal years ended March 31:

	2001	2000	1999
	-----	-----	-----
Provision (benefit) computed at			
statutory rates	\$(4,111,261)	\$ 510,633	\$1,137,812
State taxes, net of federal benefit	(468,098)	59,474	133,860
Amortization of warrants	140,027	193,667	272,664
Recognition of net operating loss carryforward	-	(131,507)	-
Other	(75,243)	(181,708)	(240,337)
	-----	-----	-----
	\$(4,514,575)	\$ 450,559	\$1,303,999
	=====	=====	=====

-40-

Deferred tax assets and (liabilities) from continuing operations are comprised of the following components at March 31, 2001 and 2000:

	2001	2000
	-----	-----
Deferred tax assets:		
Current-		
Allowance for doubtful accounts	\$ 449,138	\$ 78,113
Program supplier reserves	520,614	-
Foreign tax credit	500,000	823,559
Net operating loss carryforward	4,616,162	-
Unrealized loss on investments	119,015	-
Capital loss carry forward	279,407	327,749
Deferred revenue	473,453	570,100
Other	361,477	78,592
	-----	-----
Total current deferred tax assets	7,319,266	1,878,113
	-----	-----
Noncurrent-		
Depreciation	445,631	423,846
Retailer financing program reserve	671,689	320,107

Edgar Filing: RENTRAK CORP - Form 10-K/A

Program supplier reserves	-	484,910
Unrealized loss on investments	30,384	299,296
Foreign tax credit	1,000,000	1,000,000
Deferred revenue	144,060	637,361
Other	127,870	180,692
	-----	-----
Total noncurrent deferred tax assets	2,419,634	3,346,212
	-----	-----
Total deferred tax assets	\$9,738,900	\$5,224,325
	=====	=====

As of March 31, 2001, the Company has estimated NOL carryforwards for federal income tax return purposes of approximately \$12,100,000, which expire in 2021. Although realization of the deferred tax assets is not assured, management believes it is more likely than not that the Company will ultimately realize all of its deferred tax assets.

8. Stockholders' Equity

Stock Options and Warrants

Effective March 31, 1997, the Company adopted the 1997 Non-Officer Employee Stock Option Plan. The aggregate number of shares which may be issued upon exercise of options under the plan shall not exceed 750,000. In August 1997, the Company adopted the 1997 Equity Participation Plan. The aggregate number of shares which may be issued upon exercise of options under the plan shall not exceed 1,600,000. The plans are administered by the Stock Option Committee of the Board which determines the terms and conditions of options issued under the plans. Options granted to date under the plans become exercisable over four to five years and expire ten years after date of grant. As of March 31, 2001, the Company had 360,163 and 533,116 options available to be granted under the 1997 Non-Officer Employee Stock Option Plan and 1997 Equity Participation Plan, respectively.

The Company has elected to account for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation expense has been recognized because the option price equals the market price of the

-41-

Company's stock at the grant date of the options. The Company has computed for pro forma disclosure purposes the value of all options granted during fiscal years 2001, 2000 and 1999, using the Black-Scholes option pricing model as prescribed by SFAS 123, "Accounting for Stock-Based Compensation," and the following assumptions:

	2001	2000	1999
	-----	-----	-----
Risk-free interest rate	4.77 - 6.82 %	5.37 - 6.91%	4.46 - 6.03%
Expected dividend yield	0%	0%	0%
Expected lives	5 - 10 years	5 - 10 years	5 - 10 years
Expected volatility	78.21%	72.20%	68.94%

Using the Black Scholes methodology, the total value of options granted during fiscal years 2001, 2000 and 1999 was approximately \$1,524,000, \$2,560,000 and \$4,633,000, respectively, which would be amortized on a pro forma basis over the vesting period of the option. The weighted average fair value of options granted during the years ended March 31, 2001, 2000 and 1999 was \$3.82, \$4.03 and \$5.04,

Edgar Filing: RENTRAK CORP - Form 10-K/A

respectively. Options to purchase 1,026,899, 2,494,190 and 2,006,932 shares of common stock were exercisable at March 31, 2001, 2000 and 1999, respectively. These exercisable options had weighted average exercise prices of \$4.39, \$4.70 and \$4.57 at March 31, 2001, 2000 and 1999, respectively.

Adjustments were made for options forfeited prior to vesting. Had compensation expense for these plans been determined in accordance with SFAS 123, the Company's net income (loss) and basic and diluted earnings (loss) per common share reflected on the March 31, 2001, 2000 and 1999 statements of operations would have been the following unaudited pro forma amounts:

	2001	2000	1999
	-----	-----	-----
Net income (loss)			
As reported	\$ (7,577,368)	\$3,424,806	\$2,042,506
Pro forma	(8,156,972)	2,293,758	95,767
Basic earnings (loss) per share			
As reported	\$ (.63)	\$.33	\$.19
Pro forma	(.68)	.22	.01
Diluted earnings (loss) per share			
As reported	\$ (.63)	\$.32	\$.18
Pro forma	(.68)	.21	.01

-42-

The table below summarizes the plans' activity:

	Options Outstanding	
	Number of	Weighted
	Shares	Average
	-----	Exercise Price
	-----	-----
Balance at March 31, 1998	2,825,325	\$4.60
Granted-		
Option price = fair market value	919,216	5.04
Exercised	(45,977)	2.77
Canceled	(252,458)	4.77
	-----	-----
Balance at March 31, 1999	3,446,106	4.73
Granted-		
Option price = fair market value	607,837	3.97
Option price > fair market value	15,000	7.38
Option price < fair market value	12,500	2.81
Exercised	(74,613)	3.08
Canceled	(147,128)	5.75
	-----	-----
Balance at March 31, 2000	3,859,702	4.60
Granted-		
Option price = fair market value	393,575	3.80
Option price > fair market value	5,420	4.61
Exercised	(1,721,060)	4.67
Canceled	(872,948)	5.12
	-----	-----
Balance at March 31, 2001	1,664,689	\$4.07

Edgar Filing: RENTRAK CORP - Form 10-K/A

=====

=====

The following table summarizes information about stock options outstanding at March 31, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding as of March 31, 2001	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable As of March 31, 2001	Weighted Average Exercise Price
\$1.00 - \$2.59	45,000	9.8	\$2.19	-	
2.60 - 6.49	1,609,689	5.2	4.09	1,016,899	
6.50 - 9.78	10,000	8.3	9.50	10,000	
	-----		-----		
1.00 - 9.78	1,664,689	5.4	4.07	1,026,899	
	=====		=====		

In November 1996, the Company adjusted the number of shares of common stock issued and outstanding to employees under the 1986 stock option plan. The adjustment, which increased the number of shares outstanding by 222,408 shares, also included reduction in the exercise price. This adjustment was done

-43-

to equalize the options' values before and after the distribution of the common stock of BlowOut in November 1996 (Note 13).

In March 1998, the Company agreed to issue warrants to buy up to 1,000,000 shares of the Company's common stock at an exercise price of \$6.59 per share, which exceeded market value at date of grant. The warrants were issued in connection with entering into a long-term agreement with a customer. These warrants expired unexercised in March 2000.

All warrants which the Company agreed to issue in 1995 and 1998 were valued by an outside valuation firm using standard warrant valuation models. All warrants issued in 1999 and 2000 were valued based on an internal valuation model using the Black Scholes methodology. The value of the warrants of \$4,762,116 was recorded in the equity section and is being amortized over the associated periods to be benefited by each warrant. In fiscal 2001, 2000 and 1999, expense associated with the warrants was approximately \$368,000, \$510,000 and \$718,000, respectively.

In May 1995, the Board of Directors approved a shareholders' rights plan designed to ensure that all of the Company's shareholders receive fair and equal treatment in the event of certain proposals to acquire control of the Company. Under the rights plan, each shareholder received a dividend of one right for each share of the Company's outstanding common stock, entitling the holders to purchase one additional share of the Company's common stock. The rights become exercisable after any person or group acquires 15 percent or more of the Company's outstanding common stock, or announces a tender offer which would result in the offeror becoming the beneficial owners of 15 percent or more of the Company's outstanding stock. Prior to the time that a person or group acquires beneficial ownership of 15 percent or more of the Company's outstanding stock, the Board of Directors, at their discretion, may waive this provision with respect to any transaction or may terminate the rights plan.

Edgar Filing: RENTRAK CORP - Form 10-K/A

Executive Option Loan Program

In June 2000, the board of directors approved a program to make loans available to those officers of the Company who had an employment agreement for the purpose of allowing them to exercise their vested, unexercised "out of the money" employee stock options. The loans under this program bear interest at the federal funds rate in effect on the date of the loan and interest is payable annually. The principal amount of the loan is due on the earliest to occur of: (1) one year prior to the expiration of the term of the borrower's current employment agreement with the Company, (2) one year after the borrower leaves the Company's employment unless such departure follows a "change of control" (as defined in the loan agreements), (3) five years from the date of the loan, or (4) one year from the date of the borrower's death. The loans are secured by the stock purchased upon the exercise of the options. The loans are without recourse (except as to the stock securing the loans) as to principal and are with full recourse against the borrower as to interest. The offer to make these loans expired September 30, 2000. Prior to September 30, 2000, several employees accepted this offer and obtained loans from the Company. Because the loan proceeds were immediately used to pay the exercise price of the options to the Company, there was no net outflow of cash from the Company in connection with these loans. The Company accounted for the options related to these loans using variable accounting as prescribed by APB 25. As the exercise price of the options was greater than the fair market value of the Company's stock through March 31, 2001, no compensation expense was recorded. The balance remaining due on these loans is reflected as an offset to equity in the accompanying consolidated balance sheet and consolidated statement of shareholders' equity.

-44-

9. Commitments

Leases

The Company leases certain facilities and equipment under operating leases expiring at various dates through 2009. Approximate rental payments over the term of the leases exceeding one year are as follows:

Year Ending March 31,	

2002	\$3,223,947
2003	3,449,400
2004	3,413,055
2005	3,404,573
2006	3,198,259
2007 and thereafter	7,139,731

	\$23,828,965
	=====

The leases provide for payment of taxes, insurance and maintenance by the Company. The Company also rents vehicles and equipment on a short-term basis. Rent expense under operating leases was approximately \$2,953,840, \$2,335,000 and \$1,926,000 for the fiscal years ended March 31, 2001, 2000 and 1999, respectively.

Guarantees and Advances

The Company has entered into several guarantee contracts with program suppliers providing titles for distribution under the PPT system. In general, these

Edgar Filing: RENTRAK CORP - Form 10-K/A

contracts guarantee the suppliers minimum payments. In some cases these guarantees were paid in advance. Any advance payments that the Company has made and will be realized within the current year are included in advances to program suppliers. The long-term portion is included in other assets. Both the current and long-term portion are amortized to cost of sales as revenues are generated from the related cassettes.

The Company, using empirical data, estimates the projected revenue stream to be generated under these guarantee arrangements and accrues for projected losses or reduces the carrying amount of advances to program suppliers for any guarantee that it estimates will not be fully recovered through future revenues. As of March 31, 2001 and 2000, the Company has reserved approximately \$2,400,000 and \$2,000,000, respectively, for potential losses under such guarantee arrangements.

On March 22, 1999, BlowOut filed for Chapter 11 of the Federal Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. At that same time BlowOut filed a motion to sell substantially all the assets of BlowOut. BlowOut is not related to the Company's wholly owned subsidiary BlowOut Video, Inc. The sale, to a third party video retailer, was approved on May 10, 1999 and closed on May 17, 1999. The Company was the principal creditor of BlowOut. In 1996, the Company had agreed to guarantee up to \$7 million of indebtedness of BlowOut (Guarantee). Pursuant to the terms of the Guarantee, the Company agreed to guarantee any amounts outstanding under BlowOut's credit facility. As the sale of the BlowOut assets were not sufficient to cover the amounts due under this facility, the Company, pursuant to the Guarantee, has agreed to a payment plan to fulfill BlowOut's obligation under its credit facility. The amount outstanding at March 31, 2001 is approximately \$300,000. The payments, as made, will be recorded as a reduction of "net current liabilities of discontinued operations" on the accompanying balance sheet (see also Note 13).

-45-

Customer Agreement

In June 2000, the Company entered into an agreement with one of its customers to modify an existing contract. Under terms of the agreement the customer made a payment to the Company in the amount of \$2,500,000. Subsequent to the signing of the agreement, the customer took the position that it was entitled to a refund of the payment, as additional agreements were not finalized as expected. On March 31, 2001, the Company entered into a settlement agreement with the customer whereby \$1,600,000 of the \$2,500,000 payment was determined to be consideration for cancellation of certain rights of Rentrak under the existing contract while the balance of \$900,000 was held by the Company as a deposit to be applied to future receivables generated by the customer. The \$900,000 deposit is to be allocated towards future receivables at the rate of \$75,000 per quarter, beginning with the quarter ended March 31, 2001. The long-term portion of this credit has been included in other long-term liabilities on the accompanying balance sheet.

10. Contingencies

In June 1998, Video Update, Inc. (Video Update) filed a complaint (the Video Update Complaint) against the Company entitled Video Update, Inc. v. Rentrak Corp., Civil Action No. 98-286, in the United States District Court for the District of Delaware. The Video Update Complaint alleges various violations of the antitrust laws, including that the Company has monopolized or attempted to monopolize a market for videocassettes leased to retail video stores in violation of Section 2 of the Sherman Act. Video Update further alleges that the Company's negotiation and execution of an exclusive, long-term revenue sharing

Edgar Filing: RENTRAK CORP - Form 10-K/A

agreement with Video Update violates Section 1 of the Sherman Act and Section 3 of the Clayton Act. Video Update is seeking unspecified monetary relief, including treble damages and attorney fees, and equitable relief, including an injunction prohibiting the Company from enforcing its agreement with Video Update or any exclusivity provision against videocassette suppliers and video retailers. In August 1998, the Court granted the Company's motion to dismiss the Video Update Complaint pursuant to Federal Rules of Civil Procedure Rule 12(b)(3) on the basis of improper venue.

In August 1998, Video Update filed a new complaint against the Company in the United States District Court for the District of Oregon (the Re-Filed Complaint), Case No. 98-1013HA. The Re-Filed Complaint is substantially the same as the previous complaint. The Company believes the Re-Filed Complaint lacks merit and intends to vigorously defend against the allegations in the Complaint. The Company has answered the Re-Filed Complaint denying its material allegations and asserting several affirmative defenses. The Company also has counterclaimed against Video Update alleging, among other things, breach of contract, breach of the covenant of good faith and fair dealing, promissory fraud, breach of fiduciary duty, breach of trust, constructive fraud, negligent misrepresentation and intentional interference with business advantage, and is seeking damages and equitable relief.

In October 1998, the Company filed a motion for summary judgment seeking to dismiss the lawsuit filed against it by Video Update. In January 1999, the Company filed a separate motion for partial summary judgment on its breach of contract counterclaim seeking to recover more than \$4.4 million in fees and interest which the Company claims Video Update owes to it. The court denied Rentrak's motions without reaching the merits and without prejudice to refile the motions after discovery had been conducted. On October 21, 1999, the Company amended its counterclaims to add additional claims, including a claim for trade secret misappropriation and a claim for recovery of personal property. The amended counterclaim also added Video Update's chairman, Daniel Potter, as a defendant to the fraud and negligent misrepresentation claims. Mr. Potter filed a motion to dismiss the Company's claims against him which motion was granted by the Court on April 13, 2000. Video Update also moved to dismiss six of the Company's claims. On April 13, 2000, the Court granted Video Update's motion in part and dismissed the following claims: promissory fraud, breach of fiduciary duty, breach of trust, constructive fraud, and negligent misrepresentation. On July 31, 2000, the Company filed multiple motions for summary judgment including a motion seeking to dismiss Video Update's antitrust claim and a motion seeking a finding that Video Update breached its contract with Rentrak. On September 18, 2000, Video Update filed

-46-

a voluntary petition under Chapter 11 of the federal Bankruptcy Code. In light of the bankruptcy case, the District Court dismissed the Re-Filed Complaint and counterclaims on its own motion in January 2001, but that action could be reinitiated by Video Update at any time. The Company has filed a proof of claim in the bankruptcy case asserting the claims the Company asserted in its counterclaim in the District Court action.

On November 15, 2000, 3PF.COM, Inc., a subsidiary of the Company, filed a proceeding with the American Arbitration Association against Reel.com, Inc., a subsidiary of Hollywood Entertainment Corporation (Hollywood), for breach of a servicing, warehousing, and distribution agreement, and against Hollywood in connection with its guarantee of the obligations of Reel.com, Inc., under the agreement. 3PF.COM, Inc., is seeking damages in the amount of \$4,776,237 plus an amount to be determined as consequential damages, together with prejudgment interest and attorney fees. Hollywood and Reel.com, Inc., have filed a counterclaim for attorney fees.

Edgar Filing: RENTRAK CORP - Form 10-K/A

On February 20, 2001, the Company filed a complaint against Ron Berger, Chairman and Chief Executive Officer and a director of Rentrak until September 2000, in the Circuit Court of the State of Oregon for the County of Multnomah (No. 0102-01814), seeking cancellation of shares of Rentrak common stock acquired by Mr. Berger through an option loan program offered to the Company's officers in June 2000 and damages for the conversion of an automobile and computer equipment plus an over-advance payment of business expenses less setoffs. On or about March 29, 2001, Mr. Berger filed a counterclaim seeking damages of approximately \$1.76 million plus attorney fees from Rentrak for conversion of Mr. Berger's director's fees and dividends from Rentrak Japan, breach of an agreement to compensate Mr. Berger for cancellation of options to purchase Rentrak stock, failure to pay accumulated wages and compensation, breach of an agreement to provide options to purchase stock in Rentrak's subsidiary 3PF.COM, Inc., and failure to reimburse Mr. Berger for life insurance premiums and cancellation of family health insurance. The claim for breach of an agreement to provide options to purchase stock in the subsidiary is also asserted against counterclaim defendant 3PF.COM, Inc. The Company has denied liability for the counterclaims. On June 15, 2001, the Company filed an amended complaint alleging claims for breach of duty of care and breach of fiduciary duty against Mr. Berger arising out of his activities as an officer and director of the Company involving Video City, Inc., and seeking damages with respect to those claims in an amount to be proved at trial but not less than \$6.0 million. The case is presently in the discovery phase. The Company intends to contest the case vigorously.

The Company is also subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to these actions is not expected to materially affect the financial position or results of operations of the Company as a whole.

11. Employee Benefit Plans

On January 1, 1991, the Company established an employee benefit plan (the 401(k) Plan) pursuant to Section 401(k) of the Internal Revenue Code for certain qualified employees. Contributions made to the 401(k) Plan are based on percentages of employees' salaries. The total amount of the Company's contribution is at the discretion of the Board of Directors. Contributions under the 401(k) Plan for the years ended March 31, 2000 and 1999 were approximately \$77,000 and \$76,000, respectively. As of March 31, 2001, the Board of Directors had not made a decision regarding contributions for the year ended March 31, 2001.

The Company has an Employee Stock Purchase Plan (the Plan). The Board of Directors has reserved 200,000 shares of the Company's common stock for issuance under the Plan, of which 139,773 shares remain authorized and available for sale to employees. All employees meeting certain eligibility criteria may be granted the opportunity to purchase common stock, under certain limitations, at 85 percent of market value. Payment is made through payroll deductions.

-47-

Under the Plan, employees purchased 4,000 shares for aggregate proceeds of \$13,561, 3,257 shares for aggregate proceeds of \$14,370 and 4,245 shares for aggregate proceeds of \$20,214, in fiscal 2001, 2000 and 1999, respectively.

12. Business Segments, Significant Suppliers and Major Customer

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an

Edgar Filing: RENTRAK CORP - Form 10-K/A

Enterprise and Related Information," (SFAS 131). SFAS 131 requires the Company to report certain information about operating segments. The Company classifies its services in three segments, PPT, 3PF.COM and Other. Other services include operations of BlowOut Video, a video retailer, website services and amounts received pursuant to royalty agreements.

Business Segments

	2001 -----	2000 -----	1999 -----
Net sales (1):			
PPT	\$ 83,637,704	\$ 94,149,121	\$106,972,685
3PF.COM (2)	23,389,443	11,648,725	10,501,958
Other	13,488,063	11,654,081	6,912,523
	-----	-----	-----
	\$120,515,210	\$117,451,927	\$124,387,166
	=====	=====	=====
Income (loss) from operations			
PPT	\$ (6,694,623)	\$ 1,892,505	\$ (1,115,934)
3PF.COM (2)	(3,788,576)	(1,131,654)	862,257
Other	539,929	2,260,390	3,003,074
	-----	-----	-----
	\$ (9,943,270)	\$ 3,021,241	\$ 2,749,397
	=====	=====	=====
Identifiable assets (1):			
PPT	\$ 38,202,038	\$ 44,571,673	\$ 45,743,988
3PF.COM	8,425,876	2,703,360	1,152,171
Other	5,566,431	6,195,923	4,177,146
	-----	-----	-----
	\$ 52,194,345	\$ 53,470,956	\$ 51,073,305
	=====	=====	=====

(1) Total amounts differ from those reported on the consolidated financial statements as intercompany transactions and balances are not eliminated for segment reporting purposes.

(2) 3PF.COM's revenues related to the shipment of cassettes to Rentrak's PPT customers was \$3,300,000, \$3,300,000 and \$3,800,000 for the years ended March 31, 2001, 2000 and 1999, respectively.

The Company has one program supplier that supplied product that generated 18 percent, a second that generated 15 percent, and a third that generated 13 percent of the Company's revenues for the year ended March 31, 2001. The Company has one program supplier that supplied product that generated 25 percent, a second that generated 19 percent, and a third that generated 13 percent of the Company's revenues for the year ended March 31, 2000. The Company has one program supplier that supplied product that generated 28 percent, a second that generated 26 percent, and a third that generated 15 percent of the Company's revenues for the year ended March 31, 1999. There were no other program

-48-

suppliers who provided product accounting for more than 10 percent of sales for the years ended March 31, 2001, 2000 and 1999.

The Company currently receives a significant amount of product from three program suppliers. Although management does not believe that these relationships

Edgar Filing: RENTRAK CORP - Form 10-K/A

will be terminated in the near term, a loss of one of these suppliers could have an adverse effect on operating results.

One customer accounted for 13 percent of the Company's revenues in 1999. No customer accounted for more than 10 percent of the Company's revenues in fiscal 2001 and 2000.

13. Discontinued Operations

On November 26, 1996, the Company made a distribution to its shareholders of 1,457,343 shares of common stock (the BlowOut Common Stock) of BlowOut. BlowOut is not related to the Company's wholly owned subsidiary BlowOut Video, Inc. During the year ended March 31, 2000, the Company recorded a gain on the disposal of discontinued operations of \$1,900,000 related to BlowOut, as the liability related to BlowOut contingencies was less than estimated. The Company also reduced the valuation allowance that was recorded against the deferred tax asset related to liabilities of discontinued operations. This reduction of approximately \$500,000 in the valuation allowance was recorded as an income tax benefit from discontinued operations in the accompanying consolidated statement of operations. Net current liabilities of discontinued operations at March 31, 2001 relate to amounts to be paid pursuant to the Guarantee, net of tax benefit.

14. Subsequent Events

Rentrak Japan

On April 2, 2001, the Company transferred exclusive rights to implement its PPT system within specified countries in the Far East, including related trademark and other intellectual property rights, to Rentrak Japan, which distributes video cassettes, DVDs, and video games on a revenue-sharing basis throughout Japan. In exchange for the transfer, Rentrak Japan made a lump sum cash payment of \$5.65 million and released certain payment obligations of the Company totaling \$2.1 million. As a part of the transaction, Rentrak Japan's obligation to pay annual royalties to the Company in connection with use of its PPT system was terminated.

The Company concurrently sold to So-Tsu Co., Ltd. (So-Tsu), an entity affiliated with Rentrak Japan, 300,000 shares of Rentrak Japan stock, or approximately 5.6 percent of the outstanding Rentrak Japan shares, in exchange for a cash payment of \$4.0 million. The Company also repurchased from Rentrak Japan 614,000 shares of the Company's common stock for a cash payment of \$2.4 million, or \$3.875 per share. The Company repurchased an additional 390,000 shares of its common stock for the same price per share, or a total of \$1.5 million, from Culture Convenience Club Co., Ltd., an entity affiliated with Rentrak Japan. The Company also has the right to, and upon the occurrence of certain conditions will be required to, sell its remaining 180,000 shares of Rentrak Japan stock, representing approximately 3.4 percent of the outstanding Rentrak Japan shares, for a minimum payment of 1,600 yen per share. Finally, the Company sold to So-Tsu 1 percent of the Company's equity interest in its wholly owned subsidiary 3PF.Com, Inc., for a cash payment of \$1 million.

The terms of the transactions between the Company and Rentrak Japan and its affiliates were negotiated at arm's length. A director of the Company received a fee totaling approximately \$242,000 for his services in negotiating the transaction.

-49-

3PF.COM

On April 24, 2001, 3PF.COM announced the closure of its administrative office in

Edgar Filing: RENTRAK CORP - Form 10-K/A

Skokie, IL. Services performed at this facility will now be performed at the Company's headquarters. As a result of this closure, 3PF.COM expects to incur severance costs related to terminated employees in addition to continued payments on its operating lease of the office which was to expire in March 2003. The total estimated cost of the closure of \$770,000 will be recognized in the first quarter of fiscal 2002.

One of 3PF.COM's major clients filed for Chapter 11 bankruptcy during May 2001, which may negatively impact 3PF.COM's financial results during fiscal 2002. As a result, management is closely evaluating the net realizable value of its assets with respect to this matter. The Company is currently seeking opportunities to replace this client, as well as attract new clients to 3PF.COM's business.

-50-

RENTRAK CORPORATION Valuation and Qualifying Accounts Schedule II

Year Ended:	Balance at Beginning of Period	Write Off and Expenses	Charged to Other Accounts	Recoveries (Deductions)

Allowance for doubtful accounts				
March 31, 1999	586,641	(125,000)	-	(106,400)
March 31, 2000	355,241	6,341,030	-	(5,859,326)
March 31, 2001	836,945	7,758,211	-	(6,505,081)
Advances to program suppliers reserve				
March 31, 1999	1,182,757	(17,597)	-	-
March 31, 2000	1,165,160	110,918	-	-
March 31, 2001	1,276,078	93,959	-	-
Other Current Assets-				
Retailer Financing Program reserve				
March 31, 1999	-	-	994,935 1	-
March 31, 2000	994,935	-	(500,000) 1	-
March 31, 2001	494,935	343,500	-	-
Other Assets-				
Retailer Financing Program reserve				
March 31, 1999	9,353,995	(194,888)	(559,433) 1	(18,921)
March 31, 2000	8,580,753	1,245,157	(4,615,665) 2	(20,997)
March 31, 2001	5,189,248	581,715	-	(10,884)

1 - Reclassified from Other Current Assets to Other Assets.

2 - Eliminated against Other Assets.

-51-

RENTRAK CORPORATION

QUARTERLY FINANCIAL DATA FOR THE QUARTERS ENDED JUNE 30, 1999 TO MARCH 31, 2001

QUARTER ENDED:	JUNE 30, 2000	SEPTEMBER 30, 2000 (1)	DECEMBER 31, 2000 (2)	MARCH 31, 2001 (3)
----------------	------------------	---------------------------	--------------------------	-----------------------

Edgar Filing: RENTRAK CORP - Form 10-K/A

REVENUE	\$29,034,947	\$24,477,680	\$32,415,807	\$30,470,614
INCOME (LOSS) FROM OPERATIONS	407,795	(15,248,758)	519,229	4,378,464
NET INCOME (LOSS)	249,999	(9,568,993)	229,510	1,512,116
BASIC AND DILUTED EARNINGS PER SHARE:	\$ 0.02	\$ (0.77)	\$ 0.02	\$ 0.12

QUARTER ENDED:	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999	MARCH 31, 2000
----------------	------------------	-----------------------	----------------------	-------------------

REVENUE	\$30,995,070	\$27,097,568	\$25,785,064	\$29,506,518
INCOME (LOSS) FROM OPERATIONS	2,058,233	1,116,117	(1,361,172)	1,208,063
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	1,239,486	605,108	(986,439)	193,149
GAIN FROM DISPOSAL OF DISCONTINUED OPERATIONS NET OF TAX	2,373,502	-	-	-
NET INCOME (LOSS)	3,612,988	605,108	(986,439)	193,149

BASIC AND DILUTED EARNINGS PER SHARE:

CONTINUING OPERATIONS	\$ 0.12	\$ 0.06	\$ (0.09)	\$ 0.02
DISCONTINUED OPERATIONS	0.23	-	-	-
NET INCOME (LOSS) PER SHARE	\$ 0.35	\$ 0.06	\$ (0.09)	\$ 0.02

The data above should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's 2000 and 2001 Annual Reports to Shareholders and the respective Form 10-Q filings for certain of the quarterly periods. The June 30, 2000 results have been restated as per Amendment No. 1 to the Company's Form 10-Q/A filed November 13, 2000.

(1) The September 30, 2000 quarter included significant reserves primarily related to accounts receivable, write-off of investments, costs associated with a proxy contest, and a severance payment to the Company's former chairman and chief executive officer.

(2) The December 31, 2000 quarter included a specific allowance for doubtful accounts related to a customer of the Company's subsidiary 3PF.COM, Inc.

(3) The March 31, 2001 quarter included recognition of \$1.6 million in revenue from a customer in exchange for cancellation of certain of the Company's rights.

Edgar Filing: RENTRAK CORP - Form 10-K/A

-52-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to its report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

RENTRAK CORPORATION
(Registrant)

August 13, 2001

Date

By: /s/ Mark L. Thoenes

Mark L. Thoenes
Vice President and Chief Financial Officer
Signing on behalf of the registrant

EXHIBIT INDEX

The following exhibits are filed herewith or, if followed by a number in parentheses, are incorporated herein by reference from the corresponding exhibit filed in the report or registration statement identified in the footnotes following this index:

Exhibit

Number	Exhibit
2	Agreement Concerning Changes to Business Cooperation Agreement (Framework) between Rentrak Japan Co., Ltd. and Rentrak Corporation. (1)
3.1	Amended and Restated Articles of Incorporation and amendments thereto. (2)
3.2	1995 Restated Bylaws, as amended to date. (3)
10.1*	1986 Second Amended and Restated Stock Option Plan and Forms of Stock Option Agreements. (4)
10.2*	Amendment to 1986 Second Amended and Restated Stock Option Plan dated May 19, 2000. (5)
10.3	Guarantee Agreement dated as of June 26, 1996, between Rentrak Corporation and BlowOut Entertainment, Inc. (6)
10.4*	Amended and Restated Employment Agreement with Marty Graham dated May 17, 1997. (7)
10.5*	Addendum to Employment Agreement with Marty Graham dated June 8, 2000. (8)
10.6*	Amendment to Employment Agreement with Marty Graham dated September 1, 2000. **
10.7*	Employment Agreement with Michael Lightbourne dated July 10, 1997. (9)
10.8*	Employment Agreement with Christopher Roberts dated October 27,

Edgar Filing: RENTRAK CORP - Form 10-K/A

1997. (10)

- 10.9* Addendum to Employment Agreement with Christopher Roberts dated June 8, 2000. (11)
- 10.10* Employment Agreement with Ron Berger dated April 21, 1998. (12)
- 10.11* Amendment to Employment Agreement with Ron Berger dated August 28, 2000. (13)
- 10.12* Amendment to Employment Agreement with Ron Berger dated September 11, 2000. (14)
- 10.13* The 1997 Equity Participation Plan of Rentrak Corporation, as amended. **
- 10.14* Form of Non-Qualified Stock Option Agreement under 1997 Equity Participation Plan.
- 10.15* Form of Incentive Stock Option Agreement under 1997 Equity Participation Plan.
- 10.16* Employment Agreement with F. Kim Cox dated April 1, 1998. (15)
- 10.17* Promissory Note of Michael Lightbourne dated August 30, 2000. **
- 10.18* Loan Agreement with Michael Lightbourne dated August 30, 2000. **
- 10.19* Stock Pledge Agreement with Michael Lightbourne dated August 30, 2000. **
- 10.20* Promissory Note of Ron Berger dated June 16, 2000. (16)
- 10.21* Loan Agreement with Ron Berger dated June 16, 2000. (17)
- 10.22* Stock Pledge Agreement with Ron Berger, dated June 16, 2000. (18)
- 10.23 Loan and Security Agreement with Guaranty Business Credit Corporation dated May 26, 2000. (19)
- 10.24 General Continuing Guarantee with Guaranty Business Credit Corporation dated May 26, 2000. (20)
- 10.25* Employment Agreement with Mark L. Thoenes dated January 1, 2001. **
- 10.26* Employment Agreement with Timothy J. Erwin dated January 1, 2001. **
- 10.27* Employment Agreement with Richard A Nida dated August 14, 1998, with Addendum dated June 8, 2000. **
- 10.28 Rights Agreement dated as of May 18, 1995, between Rentrak Corporation and U.S. Stock Transfer Corporation. (21)
- 10.29* Letter Agreement between Rentrak Corporation and Joon S. Moon entered into as of March 15, 2001. **
- 10.30* Incentive Stock Option Agreement with Paul A. Rosenbaum dated March 30, 2001. **
- 10.31* Non-Qualified Stock Option Agreement with Paul A. Rosenbaum dated March 30, 2001. **

Edgar Filing: RENTRAK CORP - Form 10-K/A

- 21 List of Subsidiaries of Registrant. **
- 23 Consent of Arthur Andersen LLP. **
- 24 Power of Attorney of Certain Officers and Directors. **
- 99 Description of Capital Stock of Rentrak Corporation. **
-

*Management Contract or Compensatory Plan or Arrangement.

** Previously filed.

1. Filed as Exhibit 2 to Form 8-K filed on April 17, 2001.
2. Filed in Form S-3 Registration Statement, File No. 33-8511, filed on November 21, 1994.
3. Filed as Exhibit 3.1 to Form 10-Q filed on February 14, 2001.
4. Filed as Exhibit 10.1 to 1993 Form 10-K filed on June 28, 1993 (File No. 0-15159).
5. Filed as Exhibit 10.30 to 2000 Form 10-K filed on June 29, 2000.
6. Filed as Exhibit 2 to Form 8-K filed on December 9, 1996.
7. Filed as Exhibit 10.1 to Form 10-Q filed on November 3, 1997.
8. Filed as Exhibit 10.23 to 2000 Form 10-K filed on June 29, 2000.
9. Filed as Exhibit 10.2 to Form 10-Q filed on November 3, 1997.
10. Filed as Exhibit 10.3 to Form 10-Q filed on November 3, 1997.
11. Filed as Exhibit 10.24 to 2000 Form 10-K filed on June 29, 2000.
12. Filed as Exhibit 10.35 to 1998 Form 10-K filed on June 25, 1998.
13. Filed as Exhibit 10.1 to Form 10-Q filed on November 14, 2000.
14. Filed as Exhibit 10.2 to Form 10-Q filed on November 14, 2000.
15. Filed as Exhibit 10.2 to Form 10-Q filed on November 6, 1998.
16. Filed as Exhibit 10.26 to 2000 Form 10-K filed on June 29, 2000.
17. Filed as Exhibit 10.35 to Amendment No. 1 on Form 10-K/A filed on July 31, 2000.
18. Filed as Exhibit 10.33 to Amendment No. 1 on Form 10-K/A filed on July 31, 2000.
19. Filed as Exhibit 10.27 to 2000 Form 10-K filed on June 29, 2000.
20. Filed as Exhibit 10.28 to 2000 Form 10-K filed on June 29, 2000.
21. Filed as Exhibit 4 to Form 8-K filed on June 5, 1995.

