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RENTRAK CORP  
Form 10-Q/A  
December 16, 2004

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q/A  
Amendment No. 1

(Mark One)

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

For the quarterly period ended June 30, 2004

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: 0-15159

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

Oregon 93-0780536  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

7700 NE Ambassador Place, Portland, Oregon 97220  
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes  No

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Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

Common stock \$0.001 par value 9,805,620  
(Class) (Outstanding at July 30, 2004)

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## Explanation of Amendment

We are filing this Amendment No. 1 on Form 10-Q/A (the "Form 10-Q/A"), amending our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004, as originally filed on August 16, 2004 (the "Original 10-Q"), to clarify in Part I, Item 4 "Controls and Procedures" management's conclusion that our disclosure controls and procedures were ineffective at June 30, 2004 for the reasons described in that item.

We are concurrently filing Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2004, originally filed on July 14, 2004.

The following sections of this Form 10-Q/A have been revised from the Original 10-Q:

- o Part I, Item 4 - Controls and Procedures
- o Part II, Item 6 - Exhibits and Reports on Form 8-K

Except as set forth above, this Form 10-Q/A continues to speak as of the date of the filing of the Original 10-Q, August 16, 2004, and we have not updated the disclosures contained herein to reflect any events that have occurred since that date. For a discussion of more recent events and developments, please see our reports filed with the SEC since August 16, 2004.

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## RENTRAK CORPORATION FORM 10-Q

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\* Not included in Form 10-Q/A

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### ITEM 4. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (Exchange Act). During the period covered by this report, management identified internal control deficiencies, as described below, that constitute material weaknesses as defined in Statement of Auditing Standards No. 60. Certain of these internal control weaknesses may also constitute deficiencies in our disclosure controls and procedures. Based on that evaluation and taking into consideration those identified deficiencies, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were ineffective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's conclusion that our disclosure controls and procedures were ineffective as of the end of the period covered by this report is based on our discovery of deficiencies in certain of our internal controls necessary to development of reliable financial statements. Some of these weaknesses related to the discovery that one of our employees had embezzled funds from us over a period of several years by exploiting weaknesses in our internal controls related to the segregation of duties within the accounting function. Other weaknesses related to the discovery of accounting errors as a result of the misinterpretation and misapplication by our internal accounting staff of certain terms in our revenue sharing agreements with program suppliers. Our outside

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auditor also advised us of certain organizational and resource deficiencies related to our processes for monitoring, analyzing and reporting on new accounting and reporting pronouncements, including our process for summarizing and externally reporting financial information. These deficiencies are discussed in more detail below, together with a description of the changes in our internal control over financial reporting which we began implementing during our last fiscal quarter and that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have reviewed the procedures and internal controls surrounding the deficiencies described above and have taken actions and commenced the implementation of improvements as of the date of the filing of this report, as described below, to provide reasonable assurance that those deficiencies will not recur. Based on the actions we have taken, our Chief Executive Officer and Chief Financial Officer have concluded that this report fully complies with the requirements of Section 13(a) of the Exchange Act and that the information contained in this report fairly presents, in all material respects, our financial condition and results of operations.

### Internal Control Over Financial Reporting

#### Investigation and Recovery Efforts Regarding Misappropriated Funds

In March 2004, we learned that an employee may have engaged in fraudulent activity and we hired an outside firm to investigate the matter. See Note 6 of Notes to Condensed Consolidated Financial Statements under the heading Investigation and Recovery Efforts Regarding Misappropriated Funds for further discussion.

We have reviewed the internal controls, including the accounting, financial reporting and disclosure controls surrounding this fraud, and have made improvements to such controls to help ensure against this type of activity in the future. Management has recently hired a new controller who will lead our efforts to improve our overall internal accounting controls. In particular, we have implemented, or are in the process of implementing, the following additional procedures and controls with respect to this embezzlement matter:

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- o All checks, upon receipt, are restrictively endorsed.
- o No employee, beyond the person(s) assigned to open and distribute the mail, is authorized to handle the mail in any manner.
- o Only copies of checks are distributed for account coding.
- o The income tax receivable account will be reconciled so that the receivable and payable for each tax jurisdiction can be tracked.
- o A miscellaneous cash receipts log has been established with copies of supporting documentation. The cash receipt transactions are reconciled to the bank statements during the bank reconciliation process by staff independent of the cash receipts function.
- o Segregation of duties within Finance and Accounting has been reviewed and necessary adjustments have been made, given our staffing size and composition.
- o All bank statements will be given to the Chief Financial Officer or Controller, who will independently review the information prior to its use by appropriate accounting staff.

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- o All bank reconciliations will be reviewed monthly by the Chief Financial Officer or Controller and evidenced in writing.
- o All prepared journal entries will be reviewed by the Controller prior to entry in the accounting system.

### Misinterpretation and Misapplication of Certain Terms in Revenue Sharing Agreements with Program Suppliers

In May and June 2004, we discovered errors in our accounting as a result of the misinterpretation and misapplication of certain terms in some of our revenue sharing agreements with Program Suppliers. These errors resulted in the restatement of our previously issued financial statements for fiscal 2000 through fiscal 2003. See Note 2 of Notes to Condensed Consolidated Financial Statements for a further description of the restatements.

We have implemented, or are in the process of implementing, the following additional procedures and controls to date with respect to these restatement matters:

- o All revenue-sharing agreement Program Supplier contract liability accounts are being comprehensively analyzed and reconciled; these functions will be performed on a monthly basis. The analyses and reconciliations will be reviewed and approved by the Controller and/or Chief Financial Officer, and evidenced in writing.
- o All revenue-sharing agreement Program Supplier guarantees are being comprehensively analyzed; these functions will be performed on a monthly basis. The analyses will be reviewed and approved by the Controller and/or Chief Financial Officer, and evidenced in writing.

### Organizational Deficiencies Related to the External Financial Reporting Process

Certain organizational and resource deficiencies have been identified related to our processes for monitoring, analyzing and reporting on new accounting and reporting pronouncements. This includes our process for summarizing and external reporting of financial information.

We have implemented, or are in the process of implementing, the following procedures and controls with respect to this matter:

- o We have hired a new controller with assigned responsibilities to include: (i) the on-going research and identification of new accounting and reporting pronouncements; and (ii) the on-going research and identification of our external financial reporting responsibilities to assure our compliance with all professional and regulatory reporting and disclosure requirements.
- o We are assessing and evaluating the application of all new pronouncements in a timely manner to determine the correct accounting and reporting treatment. We will provide our independent auditors with the conclusions of our assessment and evaluation of these pronouncements when complete.
- o We are implementing a process to ensure that we research, identify and apply all external reporting and disclosure requirements in our external financial reporting.

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### Summary

Our independent auditors advised the audit committee of our board of directors that these internal control deficiencies described above constitute material weaknesses as defined in Statement of Auditing Standards No. 60. Certain of these internal control weaknesses may constitute deficiencies in our disclosure controls and procedures.

Other than as discussed in the preceding paragraphs, there have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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### PART II - OTHER INFORMATION

#### Item 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits

The following exhibits are filed with this Form 10-Q/A and this list is intended to constitute the exhibit index:

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

##### (b) Reports on Form 8-K

We furnished one report on Form 8-K during the quarter ended June 30, 2004 as follows:

- o Dated June 29, 2004 and furnished June 30, 2004, pursuant to Items 9 and 12 of Form 8-K, regarding the filing of Form 12b-25 and the announcement of financial results for the fiscal year ended March 31, 2004.

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### SIGNATURE

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 quarterly report on Form 10-Q/A to be signed on its behalf by the undersigned, thereunto duly authorized.

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Date: December 15, 2004

RENTRAK CORPORATION

By:/s/ Mark L. Thoenes

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Mark L. Thoenes  
Senior Vice President and  
Chief Financial Officer