

FIREPOND INC
Form 10-Q
June 19, 2002

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

FORM 10-Q

(Mark One)

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

For the Quarter Ended April 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 0-29251

FIREPOND, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

41-1462409
*(I.R.S. Employer
Identification No.)*

890 Winter Street, Waltham, Massachusetts
(Address of principal executive offices)

02451
(Zip Code)

(781) 487-8400
(Registrant's telephone number, including area code)

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

Yes No

As of April 30, 2002 there were 36,844,196 shares of the Registrant's Common Stock outstanding.

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FIREPOND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(unaudited)

	<u>October 31,</u> <u>2001</u>	<u>April 30,</u> <u>2002</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,660	\$ 21,213
Short-term investments	9,593	13,909
Accounts receivable, net	10,310	3,649
Unbilled revenue	594	495
Restricted cash		797
Prepaid expenses and other current assets	2,118	2,622
	<u>57,275</u>	<u>42,685</u>
Total current assets	57,275	42,685
Property and equipment, net	5,356	4,194
Goodwill and other intangible assets, net	11,114	189
Restricted cash	550	190
Other assets	843	797
	<u>\$ 75,138</u>	<u>\$ 48,055</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Note payable	\$	\$ 587
Accounts payable	1,790	1,201
Accrued liabilities	8,874	8,167
Restructuring accrual	5,057	1,524
Deferred revenue	10,802	4,824
	<u>26,523</u>	<u>16,303</u>
Total current liabilities	26,523	16,303
Restructuring accrual, less current portion	1,102	821
Stockholders equity:		
Preferred stock, \$0.01 par value		
Authorized 5,000,000 shares;		
Issued and outstanding none at October 31, 2001 and April 30, 2002		
Common stock, \$0.01 par value		
Authorized 100,000,000 shares at October 31, 2001 and April 30, 2002;		
Issued and outstanding 37,316,911 shares at October 31, 2001 and 36,844,196 shares at April 30, 2002	373	368
Additional paid-in capital	202,231	200,383
Accumulated deficit	(148,416)	(163,586)
Loans receivable	(4,407)	(4,287)
Deferred compensation	(1,285)	(822)
Other comprehensive loss	(983)	(1,125)
	<u>47,513</u>	<u>30,931</u>
Total stockholders equity	47,513	30,931
	<u>\$ 75,138</u>	<u>\$ 48,055</u>

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

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FIREPOND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2001	2002	2001	2002
Revenue:				
Product-related revenue:				
License	\$ 3,631	\$ 977	\$ 7,665	\$ 4,213
Services and maintenance	7,907	4,038	16,180	7,877
Total product-related revenue	11,538	5,015	23,845	12,090
Custom development services	777	389	3,017	810
Total revenue	12,315	5,404	26,862	12,900
Cost of revenue:				
License	155	40	224	96
Product-related services and maintenance (1)	9,262	2,605	17,795	5,538
Custom development services	145	256	822	369
Total cost of revenue	9,562	2,901	18,841	6,003
Gross profit	2,753	2,503	8,021	6,897
Operating expenses:				
Sales and marketing (1)	8,559	2,145	15,411	4,211
Research and development (1)	6,598	2,647	11,277	5,510
General and administrative (1)	3,044	2,164	5,934	3,656
Stock-based compensation (credit)	672	(50)	1,368	1,435
Amortization of goodwill and other intangible assets	946	26	946	434
Restructuring charge	3,021		3,021	
Settlement of claim	1,211		1,211	
Acquired in-process research and development	6,200		6,200	
Impairment of developed technology and know-how				3,120
Total operating expenses	30,251	6,932	45,368	18,366
Loss from operations	(27,498)	(4,429)	(37,347)	(11,469)
Interest income	1,038	160	2,779	341
Other income (expense), net	(181)	127	(681)	(69)
Loss before cumulative effect of a change in accounting principle	(26,641)	(4,142)	(35,249)	(11,197)
Cumulative effect of a change in accounting principle				(3,973)
Net loss	\$ (26,641)	\$ (4,142)	\$ (35,249)	\$ (15,170)
Net loss per share (Note 3):				
Basic and diluted loss per share before cumulative effect of a change in accounting principle	\$ (0.74)	\$ (0.11)	\$ (0.98)	\$ (0.31)

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Cumulative effect of a change in accounting principle				(0.11)
Basic and diluted net loss per share	\$ (0.74)	\$ (0.11)	\$ (0.98)	\$ (0.42)
Basic and diluted weighted average common shares outstanding	36,094	36,728	35,821	36,561

(1) The following summarizes the departmental allocation of the stock-based compensation charge (credit):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2001	2002	2001	2002
Cost of revenue	\$ 10	\$ 20	\$ 20	\$ 112
Operating expenses:				
Sales and marketing	(25)	(4)	47	32
Research and development	55	(19)	116	187
General and administrative	632	(47)	1,185	1,105
Total stock-based compensation	\$672	\$(50)	\$1,368	\$1,435

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

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FIREPOND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended April 30,	
	2001	2002
Cash flows from operating activities:		
Net loss	\$ (35,249)	\$ (15,170)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	1,368	1,435
Depreciation and amortization	3,286	1,770
Acquired in-process research and development	6,200	
Settlement of claim	(389)	
Non-cash restructuring charges	115	
Impairment of developed technology and know-how		3,120
Cumulative effect of a change in accounting principle		3,973
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	6,082	6,614
Unbilled revenue	(1,709)	99
Prepaid expenses and other current assets	(5,244)	(468)
Accounts payable	(1,940)	(625)
Accrued liabilities	(1,100)	(731)
Deferred revenue	(3,671)	(5,978)
Restructuring accrual		(3,814)
Net cash used in operating activities		