

AMPEX CORP /DE/  
Form 10-Q  
November 14, 2002  
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**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 quarterly period ended September 30, 2002

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 No. 0-20292

\_\_\_\_\_  
**AMPEX CORPORATION**

(Exact name of Registrant as specified in its charter)

Delaware  
(State of Incorporation)

13-3667696  
(I.R.S. Employer  
Identification Number)

1228 Douglas Avenue  
Redwood City, California 94063-3199  
(Address of principal executive offices, including zip code)

(650) 367-2011  
(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 September 30, 2002, the aggregate number of outstanding shares of our Class A Common Stock, \$.01 par value, was 62,982,596. There were no outstanding shares of our Class C Common Stock, \$.01 par value.

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**FORM 10-Q**  
**Quarter Ended September 30, 2002**

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**AMPEX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	September 30, 2002	December 31, 2001
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,105	\$ 8,015
Accounts receivable (net of allowances of \$131 in 2002 and \$153 in 2001)	4,609	6,002
Inventories	9,218	13,258
Other current assets	2,707	4,426
	<u>23,639</u>	<u>31,701</u>
Total current assets	23,639	31,701
Property, plant and equipment	6,077	6,599
Other assets	783	873
	<u>30,499</u>	<u>39,173</u>
Total assets	\$ 30,499	\$ 39,173
<b>LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Notes payable	\$ 607	\$ 2,584
Accounts payable	1,885	3,665
Net liabilities of discontinued operations	1,034	1,383
Accrued restructuring costs	1,058	2,038
Other accrued liabilities	8,416	17,333
	<u>13,000</u>	<u>27,003</u>
Total current liabilities	13,000	27,003
Long-term debt	66,113	58,790
Other liabilities	42,334	41,740
Deferred income taxes	1,213	1,213
Net liabilities of discontinued operations	3,098	3,874
	<u>125,758</u>	<u>132,620</u>
Total liabilities	125,758	132,620
Commitments and contingencies (Note 8)		
Mandatorily redeemable nonconvertible preferred stock, \$1,000 liquidation value:		
Authorized: 69,970 shares in 2002 and in 2001		
Issued and outstanding none in 2002 and in 2001		
Mandatorily redeemable preferred stock, \$2,000 liquidation value:		
Authorized: 21,859 shares in 2002 and in 2001		
Issued and outstanding 13,414 shares in 2002; 15,025 in 2001	26,828	30,050
Convertible preferred stock, \$2,000 liquidation value:		
Authorized: 10,000 shares in 2002 and in 2001		
Issued and outstanding none in 2002; 51 shares in 2001		102
Stockholders' deficit:		
Preferred stock, \$1.00 par value:		
Authorized: 898,171 shares in 2002 and in 2001		
Issued and outstanding none in 2002 and in 2001		
Common stock, \$.01 par value:		
Class A:		
Authorized: 175,000,000 shares in 2002 and in 2001		
Issued and outstanding 62,982,596 shares in 2002; 61,652,996 in 2001	630	616
Class C:		

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Authorized: 50,000,000 shares in 2002 and in 2001

Issued and outstanding none in 2002 and in 2001

Other additional capital	431,471	428,161
Notes receivable from stockholders	(4,642)	(4,642)
Accumulated deficit	(511,915)	(510,023)
Accumulated other comprehensive income	(37,631)	(37,711)
	<u>          </u>	<u>          </u>
Total stockholders' deficit	(122,087)	(123,599)
	<u>          </u>	<u>          </u>
Total liabilities, redeemable preferred stock and stockholders' deficit	\$ 30,499	\$ 39,173
	<u>          </u>	<u>          </u>

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

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**AMPEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in thousands, except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
	(unaudited)			
Royalty income	\$ 891	\$ 2,088	\$ 3,416	\$ 6,605
Product revenue	8,110	7,500	24,885	25,454
<b>Total revenue</b>	<b>9,001</b>	<b>9,588</b>	<b>28,301</b>	<b>32,059</b>
Intellectual property costs	186	96	607	482
Cost of product sales	5,466	5,057	15,261	17,640
Research, development and engineering	648	1,181	1,968	4,655
Selling and administrative	2,926	2,935	7,887	10,680
Restructuring charges				808
<b>Total costs and operating expenses</b>	<b>9,226</b>	<b>9,269</b>	<b>25,723</b>	<b>34,265</b>
Operating income (loss)	(225)	319	2,578	(2,206)
Interest expense	2,127	1,825	6,286	5,357
Amortization of debt financing costs	15	88	446	263
Interest income	(54)	(22)	(332)	(260)
Other (income) expense, net	2	122	194	(1)
<b>Loss from continuing operations before income taxes</b>	<b>(2,315)</b>	<b>(1,694)</b>	<b>(4,016)</b>	<b>(7,565)</b>
Provision for (benefit of) income taxes	(2,402)	210	(2,124)	676
<b>Income (loss) from continuing operations</b>	<b>87</b>	<b>(1,904)</b>	<b>(1,892)</b>	<b>(8,241)</b>
Loss on disposal of discontinued operations (net of taxes of none in 2001)				(10,338)
<b>Loss from discontinued operations (net of taxes of none in 2001)</b>				<b>(7,294)</b>
<b>Net income (loss)</b>	<b>87</b>	<b>(1,904)</b>	<b>(1,892)</b>	<b>(25,873)</b>
Benefit from extinguishment of mandatorily redeemable preferred stock	1,039	1,716	3,162	4,053
<b>Net income (loss) applicable to common stockholders</b>	<b>1,126</b>	<b>(188)</b>	<b>1,270</b>	<b>(21,820)</b>
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(8)	40	80	(94)
<b>Comprehensive income (loss)</b>	<b>\$ 1,118</b>	<b>\$ (148)</b>	<b>\$ 1,350</b>	<b>\$ (21,914)</b>
<b>Basic income (loss) per share:</b>				
Income (loss) per share from continuing operations	\$ 0.00	\$ (0.03)	\$ (0.03)	\$ (0.14)
Loss per share from discontinued operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.30)
<b>Income (loss) per share applicable to common stockholders</b>	<b>\$ 0.02</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ (0.37)</b>
<b>Weighted average number of common shares outstanding</b>	<b>62,557,717</b>	<b>59,228,864</b>	<b>62,114,666</b>	<b>58,607,282</b>

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Diluted income (loss) per share:				
Income (loss) per share from continuing operations	\$ 0.00	\$ (0.03)	\$ (0.03)	\$ (0.14)
Loss per share from discontinued operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.30)
Income (loss) per share applicable to common stockholders	\$ 0.02	\$ 0.00	\$ 0.02	\$ (0.37)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Weighted average number of common shares outstanding	73,288,917	59,228,864	62,114,666	58,607,282
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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**AMPEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	For the Nine Months Ended	
	Sept. 30, 2002	Sept. 30, 2001
	(unaudited)	
Cash flows from operating activities:		
Net loss	\$ (1,892)	\$ (25,873)
Loss from discontinued operations		17,632
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization and warrant accretion	906	1,324
Accretion of interest expense	6,031	1,269
Reversal of prior years' tax reserves	(2,500)	
Net loss on disposal of assets	4	
Changes in operating assets and liabilities:		
Accounts receivable	1,488	4,867
Inventories	4,040	(64)
Deferred pension asset		377
Other assets	1,719	807
Accounts payable	(1,807)	772
Other accrued liabilities and income taxes payable	(9,183)	2,032
Accrued restructuring costs	(980)	3,010
Other liabilities	3,094	(2,459)
Net cash provided by continuing operations	920	3,694
Net cash used in discontinued operations	(1,125)	(11,632)
Net cash used in operating activities	(205)	(7,938)
Cash flows from investing activities:		
Proceeds received on the maturity of short-term investments		5,001
Deferred gain on sale of assets	(37)	(101)
Additions to property, plant and equipment	(178)	(142)
Net cash provided by (used in) continuing operations	(215)	4,758
Net cash used in discontinued operations		(1,925)
Net cash provided by (used in) investing activities	(215)	2,833
Cash flows from financing activities:		
Borrowings under debt agreements	17,472	25,499
Repayments under debt agreements	(18,018)	(26,488)
Proceeds from issuance of common stock		9
Net cash used in continuing operations	(546)	(980)
Net cash used in financing activities	(546)	(980)
Effects of exchange rates on continuing operations	56	(40)

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Net decrease in cash and cash equivalents	(910)	(6,125)
Cash and cash equivalents, beginning of period	8,015	10,384
	<u>          </u>	<u>          </u>
Cash and cash equivalents, end of period	\$ 7,105	\$ 4,259
	<u>          </u>	<u>          </u>

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



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**AMPEX CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Ampex Corporation**

Ampex Corporation ( Ampex or the Company ) is a leading innovator of visual information technology. The Company, through its wholly-owned subsidiary, Ampex Data Systems Corporation ( Data Systems ) incorporates this technology in the design and manufacturer of very high performance tape-based storage products, principally for digital recording, archiving and rapid restore/backup applications. The Company also leverages its investment in research and development through its Corporate Licensing division that licenses Ampex patents to manufacturers of consumer electronics products.

The Company s continuing operations consist of Ampex s intellectual property licensing department and Data Systems. In the second quarter of 2001, the Company closed the Internet video operations of its wholly-owned subsidiary iNEXTV and affiliates. The Company s Internet operations have been classified as discontinued operations for all periods presented.

***Liquidity***

As a result of continuing losses, the Company s liquidity has declined materially in recent years. In response, the Company has been required to restructure and extend the maturity date of its long-term senior debt, to discontinue unprofitable Internet video operations and to borrow funds from a former affiliate in order to make required contributions to its employee retirement pension plan. The Company has also significantly restructured and down-sized the operations of Data Systems, borrowed funds from an affiliate for working capital purposes and entered into agreements with certain vendors to extend the due date of related accounts payable balances. Management currently believes that these actions, coupled with anticipated royalty collections under licensing agreements presently in effect, should be sufficient to satisfy all projected cash obligations for 2002. The Company s ability to meet its obligations in the normal course of business is dependent upon, among other items, its ability to collect trade accounts receivable, competitively price product sales and services with the market at a profit, and obtain additional working capital financing.

**Note 2 Basis of Presentation**

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In addition, certain reclassifications have been made to the prior year financial statements to conform to the current year s presentation. The statements should be read in conjunction with the Company s report on Form 10-K for the year ended December 31, 2001 and the Audited Consolidated Financial Statements included therein.

In the opinion of management, the financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented. The results of operations for the three and nine-month periods ended September 30, 2002 are not necessarily indicative of the results to be expected for the full year.

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**AMPEX CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 Recent Pronouncements**

In May 2002, the FASB issued SFAS No.145, Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections ( SFAS 145 ). Among other things, SFAS 145 rescinds various pronouncements regarding early extinguishment of debt and allows extraordinary accounting treatment for early extinguishment only when the provisions of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions are met. SFAS 145 provisions regarding early extinguishment of debt are generally effective for fiscal years beginning after May 15, 2002. The Company does not currently anticipate this statement to have any effect on its financial statements.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146). This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This Statement requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002.

**Note 4 Discontinued Operation**

In July 2001, the Board of Directors of the Company authorized management to close iNEXTV's operations in New York City and to cease future funding its other Internet-based affiliates, AENTV in Los Angeles and TV1.de in Munich, Germany. The Company established a reserve of \$10.3 million at the end of the quarter ended June 30, 2001 to write down its investment to net realizable value and to provide for the costs of closure. In addition, the net liabilities of iNEXTV reflected on its balance sheet after the impairment charge, together with the provision for closure costs, are included in the net liabilities of discontinued operations. During 2001 and the nine months ended September 30, 2002, the Company paid and recorded charges of \$2.0 million and \$1.1 million against the net liabilities of discontinued operations. The unamortized balance in the net liabilities of iNEXTV's discontinued operations totaled \$3.7 million at September 30, 2002. In addition, net liabilities of MicroNet's discontinued operation totaled \$0.4 million at September 30, 2002.

A summary of the operating results of iNEXTV are as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept. 30,</b>	<b>Sept. 30,</b>	<b>Sept. 30,</b>	<b>Sept. 30,</b>
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	(in thousands)			
Revenues				188
Costs and operating expenses excluding amortization				(6,277)
Goodwill amortization and writedown of assets				(211)
Operating loss				(6,300)
Equity in loss of unconsolidated subsidiary				(999)
Interest income				5
Loss from discontinued operations				(7,294)

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**AMPEX CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4 Discontinued Operation (cont d.)**

A summary of the loss on disposal of iNEXTV is as follows:

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001
	(in thousands)			
Reserve for closure				(5,736)
Impairment charge				(4,602)
Loss on disposal of discontinued operations				(10,338)

**Note 5 Computation of Basic and Diluted Income (Loss) per Share**

In accordance with the disclosure requirements of SFAS 128, a reconciliation of the numerator and denominator of basic and diluted income (loss) per common share is provided as follows (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001
<b>Numerator Basic and Diluted</b>				
Income (loss) from continuing operations	\$ 87	\$ (1,904)	\$ (1,892)	\$ (8,241)
Net income (loss) applicable to common stockholders	\$ 1,126	\$ (188)	\$ 1,270	\$ (21,820)
<b>Denominator Basic</b>				
Weighted average common stock outstanding	62,558	59,229	62,115	58,607
Basic income (loss) per share from continuing operations	\$ 0.00	\$ (0.03)	\$ (0.03)	\$ (0.14)
Basic income (loss) per share applicable to common stockholders	\$ 0.02	\$ 0.00	\$ 0.02	\$ (0.37)
<b>Denominator Diluted</b>				
Weighted average common stock outstanding	62,558	59,229	62,115	58,607
Effect of dilutive securities:				
Conversion of redeemable preferred stock	10,731			
	73,289			