

DOT HILL SYSTEMS CORP  
Form 10-Q  
August 09, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 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 1-13317

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**DOT HILL SYSTEMS CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**13-3460176**

(I.R.S. Employer Identification No.)

**6305 El Camino Real, Carlsbad, California**

(Address of principal executive offices)

**92009**

(Zip Code)

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(760) 931-5500

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Act of 1934). Yes  No

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, 43,479,416 shares outstanding as of August 2, 2004.

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## Part I. Financial Information

Item 1. Financial **Statements**

**DOT HILL SYSTEMS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In Thousands, Except Per Share Amounts)  
(Unaudited)

	December 31, 2003		June 30, 2004	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$	138,563	\$	46,693
Short-term investments		52,982		78,614
Accounts receivable, net of allowance of \$467 and \$611		14,558		38,369
Inventories		3,158		4,521
Prepaid expenses and other		1,836		2,372
Total current assets		211,097		170,569
Property and equipment, net		4,791		8,306
Goodwill		343		57,111
Other intangible assets, net				9,195
Other assets		2,212		1,306
Total assets	\$	218,443	\$	246,487
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$	24,533	\$	40,029
Accrued compensation		4,459		3,063
Accrued expenses		2,052		4,345
Deferred revenue		1,028		1,010
Income taxes payable		1,005		1,019
Current portion of restructuring accrual		370		168
Total current liabilities		33,447		49,634
Restructuring accrual, net of current portion		554		156
Note payable				6,000

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Accrued interest			1,113
Borrowings under lines of credit		247	210
Other long-term liabilities		62	835
Total liabilities		34,310	57,948
<b>Commitments and Contingencies (Note 14)</b>			
<b>Stockholders Equity:</b>			
Preferred stock, \$0.001 par value, 10,000 shares authorized, no shares issued or outstanding at December 31, 2003 and June 30, 2004, respectively			
Common stock, \$0.001 par value, 100,000 shares authorized, 43,307 and 43,468 shares issued and outstanding at December 31, 2003 and June 30, 2004, respectively		43	43
Additional paid-in capital		275,827	276,488
Deferred compensation		(28)	(18)
Accumulated other comprehensive loss		(263)	(640)
Accumulated deficit		(91,446)	(87,334)
Total stockholders equity		184,133	188,539
Total liabilities and stockholders equity	\$	218,443	\$ 246,487

See accompanying notes to condensed consolidated financial statements.

**DOT HILL SYSTEMS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME**

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2003		2004		2003		2004	
Net Revenue	\$	48,428	\$	69,604	\$	78,950	\$	118,385
Cost of Goods Sold		38,415		52,487		63,400		87,765
Gross Profit		10,013		17,117		15,550		30,620
<b>Operating Expenses:</b>								
Sales and marketing		3,391		4,623		6,812		9,238
Research and development		2,841		4,734		4,897		9,105
General and administrative		1,610		2,304				