LIGHTBRIDGE INC
Form 10-Q
May 15, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001
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: 000-21319

LIGHTBRIDGE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	04-3065140
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)

67 SOUTH BEDFORD STREET
BURLINGTON, MASSACHUSETTS 01803
(Address of principal executive offices, including Zip Code)

(781) 359-4000
(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 /X/ No / /

As of May 4, 2001, there were 28,806,950 shares of the registrant's common stock, $.01 par value, outstanding.

LIGHTBRIDGE, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2001

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
LIGHTBRIDGE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

	MARCH 31, 2001	DECEMBER 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents................................	$ 52,312	$ 45,569
Short-term investments...................................	50,935	53,174

Accounts receivable, net	35,544	42,112
Inventory, net	389	2,243
Other current assets	7,322	7,680
Current portion of notes receivable	620	625
Total current assets	147,122	151,403
Property and equipment, net	28,580	28,722
Notes receivable	886	886
Other assets, net	9,275	6,669
Total assets	$185,863	$187,680
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 24,718	$ 30,716
Deferred revenues	10,599	11,015
Total current liabilities	35,317	41,731
Long-term liabilities	901	963
Total liabilities	36,218	42,694
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized; no shares issued or outstanding at March 31, 2001 and December 31, 2000	--	--
Common stock, $.01 par value; 60,000,000 shares authorized; 29,705,825 and 29,633,794 shares issued and 28,813,920 and 27,689,761 shares outstanding at March 31, 2001 and December 31, 2000, respectively	297	296
Additional paid-in capital	159,996	171,303
Warrants	206	206
Due from shareholder	(115)	(115)
Deferred compensation	--	(9)
Retained earnings (deficit)	(7,995)	(12,064)
Less: treasury stock, at cost	(2,744)	(14,631)
Total stockholders' equity	149,645	144,986
Total liabilities and stockholders' equity	$185,863	$187,680

See notes to unaudited condensed consolidated financial statements.

LIGHTBRIDGE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER ENDED MARCH 31,	
	2001	2000
Revenues:		
Transaction	$25,862	$20,427

Software licensing	8,154	8,428
Consulting and services	10,760	8,819
Hardware	4,570	4,712
Total revenues	49,346	42,386
Cost of revenues:		
Transaction	14,476	9,063
Software licensing	638	660
Consulting and services	4,708	4,052
Hardware	3,194	3,882
Total cost of revenues	23,016	17,657
Gross profit	26,330	24,729
Operating expenses:		
Development costs	8,051	6,941
Sales and marketing	5,845	5,545
General and administrative	4,860	4,578
Merger related costs	5,999	--
Total operating expenses	24,755	17,064
Income from operations	1,575	7,665
Other income, net	1,222	1,115
Income before provision for income taxes	2,797	8,780
Provision for (benefit from) income taxes	(1,272)	3,148
Net income	$ 4,069	$ 5,632
Basic earnings per common share	$ 0.15	$ 0.21
Diluted earnings per common share	$ 0.14	$ 0.19

See notes to unaudited condensed consolidated financial statements.

LIGHTBRIDGE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	QUARTER ENDED MARCH 31,	
	2001	2000
Cash flows from operating activities:		
Net income	$ 4,069	$ 5,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,820	3,127
Deferred income taxes	(3,000)	--
Amortization of deferred compensation	--	30
Changes in assets and liabilities:		

Accounts receivable	6,568	(3,481)
Inventories	1,854	654
Other assets	230	(717)
Accounts payable and accrued liabilities	(5,998)	704
Deferred revenues	(416)	3,221
Other liabilities	(62)	27
Net cash provided by operating activities	7,065	9,197
Cash flows from investing activities:		
Purchases of property and equipment	(3,248)	(3,355)
Purchase of short-term investment	(9,115)	(16,690)
Proceeds from sale of investment	11,354	3,080
Net cash used in investing activities	(1,009)	(16,965)
Cash flows from financing activities:		
Principal payments on notes payable	--	(174)
Repurchase of common stock	--	(881)
Principal payments under capital lease obligations	--	(39)
Proceeds from issuance of common stock	581	1,706
Proceeds from note receivable	106	249
Proceeds from exercise of warrants	--	10
Net cash provided by financing activities	687	871
Net increase in cash and cash equivalents	6,743	(6,897)
Cash and cash equivalents, beginning of period	45,569	49,164
Cash and cash equivalents, end of period	$52,312	$ 42,267

See notes to unaudited condensed consolidated financial statements.

5

LIGHTBRIDGE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements include the accounts of Lightbridge, Inc. and its subsidiaries ("Lightbridge" or the "Company"). Lightbridge believes that the unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of Lightbridge's financial position, results of operations and cash flows at the dates and for the periods indicated. Although certain information and disclosures normally included in Lightbridge's annual financial statements have been omitted, Lightbridge believes that the disclosures provided are adequate to make the information presented not misleading. Results of interim periods may not be indicative of results for the full year or any future periods. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Lightbridge's Annual Report on Form 10-K for the year ended December 31, 2000.

On February 7, 2001, Lightbridge completed its merger with Corsair Communications, Inc. ("Corsair"). Under the terms of the merger agreement, a wholly owned subsidiary of Lightbridge merged with and into Corsair and Corsair became a wholly owned subsidiary of Lightbridge. The merger has been accounted for as a pooling-of-interests, and the accompanying unaudited condensed consolidated financial statements have been restated to include the accounts of Corsair for all periods presented. In connection with the merger, Lightbridge recorded a charge of approximately $6.0 million, representing the cost of professional services and fees of approximately $5.7 million and costs associated with the termination of four employees of approximately $0.3 million.

2. SIGNIFICANT ACCOUNTING POLICIES:

SHORT-TERM INVESTMENTS

Investments, all of which are debt securities maturing in one year or less and are classified as available-for-sale, consisted of the following at March 31, 2001 and December 31, 2000:

	MARCH 31, 2001	DECEMBER 31, 2000
Corporate debt securities.....................	$50,935	$53,174
Certificates of deposit.......................	20	20
	$50,955	$53,194

As of March 31, 2001 and December 31, 2000, $20 of the Company's investments were classified as cash and cash equivalents.

The amortized cost of available-for-sale debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Realized gains and losses, and declines in value judged to be other than temporary on available-for-sale securities, if any, are included in interest income, net. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income, net.

INVENTORIES

Inventories, including evaluation inventory, are stated at the lower of first-in, first-out cost, or market. Evaluation inventory is comprised of finished hardware units delivered to a customer which are pending commissioning of the project.

NOTES RECEIVABLE

In conjunction with a sale of assets in 1999, the Company received a secured promissory note receivable of $2.2 million. The note bears interest at the rate of 10% per annum, payable in equal monthly installments based upon a sixty month amortization schedule with a final payment of the remaining principal with all accrued interest due and payable in May, 2003.

OTHER ASSETS

Included in other assets are spare parts that are generally amortized on a straight-line basis over the course of their respective useful lives, generally two years.

DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION

Based upon the manner in which management and the Board of Directors monitor its operations, Lightbridge operates in four distinct segments consisting of the transaction business, the software licensing business, the consulting and services business and the hardware business. Within these segments, performance is measured based on gross profit realized from each segment. Information about costs and expenses, other than costs of revenues, and assets and cash flows is not reported by segment. Information about revenues and cost of revenues of each segment is shown separately on the statement of operations. There are no transactions between segments.

REVENUE RECOGNITION

The Company generates revenue from the processing of qualification and activation transactions; granting of software licenses; services (including maintenance, installation and training); development and consulting contracts; and hardware sold in conjunction with certain software licenses. Revenues from processing of qualification and activation transactions for wireless telecommunications carriers are recognized in the period in which services are performed. Certain of the Company's software license agreements have typically provided for an initial license fee and annual maintenance based on a defined number of subscribers, as well as additional license and maintenance fees for net subscriber additions. The Company has entered into license agreements that provide for either a one-time license fee or a monthly license fee with no additional fees based on incremental subscriber growth.

The Company accounts for Software License and Maintenance revenue in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP 97-2). "Software Revenue Recognition" and SOP 98-9 "Modification to SOP 97-2 With Respect to Certain Transactions."

Revenue from software license sales is recognized when persuasive evidence of an arrangement exists, delivery of the product has been made, and a fixed fee and collectibility have been determined; to the extent that obligations exist for other services, the Company allocates revenue between the license and the services based upon their relative fair value. Revenue from customer maintenance support agreements is deferred and recognized ratably over the term of the agreements. Revenue from consulting and training services is recognized as those services are rendered. Revenue from hardware sales is recognized upon shipment, unless testing, integration or implementation services are required, in which case hardware revenue is recognized upon commissioning and acceptance of the product. Revenue from hardware sold in conjunction with software licenses is deferred until the related license revenue is recognized.

Staff Accounting Bulletin No. 101 ("SAB 101") was released on December 3, 1999 and provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues. Lightbridge's revenue recognition practices are in compliance with SAB 101 and

Lightbridge's adoption of SAB 101 has not had a material effect on its consolidated financial position or results of operations.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if outstanding dilutive options and warrants were exercised and resulted in the issuance of common stock.

A reconciliation of the denominators of the basic and diluted earnings per share computations is shown below:

	QUARTER ENDED MARCH 31, 2001	2000
	(IN THOUSANDS)	
Shares for basic earnings per share	27,830	26,862
Effect of dilutive options and warrants	1,042	2,827
Shares for diluted earnings per share	28,872	29,689

No adjustments were made to net income in computing diluted earnings per share.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133 to clarify four areas causing difficulties in the implementation. The amendment included expanding the normal purchase and sale exemption for supply contracts, permitting the offsetting of certain intercompany foreign currency derivatives and thus reducing the number of third party derivatives, permitting hedge accounting for foreign-currency denominated assets and liabilities, and redefining interest rate risk to reduce sources of ineffectiveness. Lightbridge adopted SFAS 133 and the corresponding amendments under SFAS 138 on January 1, 2001. SFAS 133, as amended by SFAS 138, did not have a material impact on Lightbridge's consolidated results of operations, financial position or cash flows.

PROVISION FOR INCOME TAXES.

Lightbridge's effective tax rate was 36.5% (excluding merger-related expenses) and 36% for the quarters ended March 31, 2001 and 2000, respectively. The income tax provision reflects a net benefit of $1.3 million for the quarter ended March 31, 2001. This was based upon the annual effective tax rate of 36.5%, offset by a $4.5 million tax benefit principally related to acquired net operating loss carryforwards of Corsair and the deductible portion of merger costs incurred in connection with the acquisition of Corsair.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS FORM 10-Q CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. ANY STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, THE WORDS "BELIEVES," "ANTICIPATES," "PLANS," "EXPECTS" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS, INCLUDING THE FACTORS SET FORTH UNDER "ITEM 1A. RISK FACTORS" IN THE ANNUAL REPORT ON FORM 10-K OF LIGHTBRIDGE, INC. FOR THE YEAR ENDED DECEMBER 31, 2000, THAT MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND

ACHIEVEMENTS OF LIGHTBRIDGE, INC. TO DIFFER MATERIALLY FROM THOSE INDICATED BY THE FORWARD-LOOKING STATEMENTS. LIGHTBRIDGE UNDERTAKES NO OBLIGATIONS TO UPDATE ANY FORWARD-LOOKING STATEMENTS IT MAKES.

Information set forth under the heading "ITEM 1A. Risk Factors" in the Annual Report on Form 10-K of Lightbridge, Inc. for the year ended December 31, 2000 is incorporated as an exhibit to this Quarterly Report on Form 10-Q. Unless the context otherwise requires, "Lightbridge" and the "Company" refer collectively to Lightbridge, Inc. and its subsidiaries.

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OVERVIEW

Lightbridge develops, markets and supports a network of integrated products and services that enable telecommunications carriers to improve their customer acquisition, service provisioning, retention and fraud management processes.

On February 7, 2001 Lightbridge completed its merger with Corsair Communications, Inc. ("Corsair"), a leading provider of system solutions for the global wireless industry. Under the terms of the merger agreement, a wholly owned subsidiary of Lightbridge merged with and into Corsair and Corsair became a wholly owned subsidiary of Lightbridge. In connection with the merger, Lightbridge issued an aggregate of approximately 10,270,000 shares of its common stock to Corsair stockholders who received 0.5978 of a share of Lightbridge common stock in exchange for each share of Corsair common stock held. In addition, the Company assumed the obligation to issue, upon exercise of outstanding Corsair stock options, approximately 1,587,094 shares of common stock. The merger was accounted for as a pooling-of-interests, and the accompanying unaudited condensed consolidated financial statements have been restated to include the accounts of Corsair for all periods presented.

Lightbridge offers on-line, real-time transaction processing and call center services to aid telecommunications carriers in qualifying and activating applicants for service, as well as software-based point-of-sale support services for a variety of distribution channels, including dealers and agents, mass market retail stores and Internet commerce. Lightbridge develops and implements interfaces that integrate its acquisition system with carrier and third-party systems, such as those for billing, point-of-sale, activation and order fulfillment. Lightbridge also maintains and has access to databases used to pre-screen applicants for fraud and provides software used to monitor subscriber call activity for fraud. In addition, Lightbridge has a global telecommunications consulting practice that provides clients with two distinct types of services: solution development and deployment consulting, and business advisory services.

9

The Company's PrePay billing system provides wireless telecommunications carriers with a software solution designed to integrate with the upcoming Wireless Intelligent Network standards. Its PhonePrint system provides such carriers with a system to reduce cloning fraud. PhoneFuel further extends the PrePay product line by allowing PrePay customers to offer their subscribers the capability to add cash to their PrePay balance phones directly from their bank accounts or credit cards using wireless application protocol. PhoneFuel supports

Internet connections for PrePay subscribers. The Company also sells hardware to its customers.

Lightbridge derives approximately 70% of its revenues from clients located in the United States, and the remainder from international clients.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain financial data as a percentage of total revenues:

	QUARTER ENDED MARCH 31,	
	2001	2000
Revenues:		
Transaction	52.4%	48.2%
Software licensing	16.5	19.9
Consulting and services	21.8	20.8
Hardware	9.3	11.1
Total revenues	100.0	100.0
Cost of revenues:		
Transaction	29.3	21.4
Software licensing	1.3	1.6
Consulting and services	9.5	9.6
Hardware	6.5	9.1
Total cost of revenues	46.6	41.7
Gross profit	53.4	58.3
Operating expenses:		
Development	16.3	16.4
Sales and marketing	11.8	13.1
General and administrative	9.8	10.7
Merger costs	12.3	--
Total operating expenses	50.2	40.2
Income from operations	3.2	18.1
Other income, net	2.5	2.6
Income before provision for income taxes	5.7	20.7
Provision for (benefit from) income taxes	(2.6)	7.4
Net income	8.3%	13.3%

QUARTER ENDED MARCH 31, 2001 COMPARED WITH QUARTER ENDED MARCH 31, 2000

REVENUES. Revenues increased by 16.4% to $49.3 million in the quarter ended March 31, 2001 from $42.4 million in the quarter ended March 31, 2000.

10

Transaction revenues increased by 26.6% to $25.9 million in the quarter ended March 31, 2001 from $20.4 million in the quarter ended March 31, 2000, while increasing as a percentage of total revenues to 52.4% from 48.2%. The increase in transaction revenues for the quarter ended March 31, 2001 was due to increased volume of qualification and activation transactions processed for carrier clients, including new clients, and an increase in special program efforts through Lightbridge's TeleServices Call Center, which are generally not provided under a long-term contract. Lightbridge believes that its transaction revenues also benefited from client promotional activities generally attributable to the current competitive market for wireless services.

The Company's transaction revenues will continue to reflect in large part the industry's rate of growth of new subscribers as well as the rate of switching among carriers by subscribers (subscriber churn). Lightbridge believes, based in part on reports of wireless telecommunication industry analysts, that the rate of subscriber growth will slow in upcoming years and that the rate of subscriber churn will remain fairly constant.

Software licensing revenues decreased slightly to $8.2 million in the quarter ended March 31, 2001 from $8.4 million in the quarter ended March 31, 2000, while decreasing as a percentage of total revenues to 16.5% from 19.9%.

Lightbridge believes that software licensing revenues are subject to fluctuation and are more difficult to anticipate than Lightbridge's other types of revenues, due to the relatively large dollar magnitude and long sales cycles for software licenses. The sales cycles for domestic software licenses generally extend from three to six months and may extend as long as eighteen months; sales cycles for software licenses sold to international clients often are longer. The predictability of software licensing revenue is further impeded because Lightbridge's licensed software is a discretionary purchase for most customers. As a result of the foregoing, a small number of licensing transactions may have a significant effect on Lightbridge's software licensing revenues within a given quarter.

Consulting and services revenues increased by 22.0% to $10.8 million in the quarter ended March 31, 2001 from $8.8 million in the quarter ended March 31, 2000, while increasing as a percentage of total revenues to 21.8% from 20.8%. The increase in consulting and services revenues for the quarter ended March 31, 2001 was principally due to increased demand for consulting services, principally custom software development and systems integration offered by the Company.

Hardware revenues decreased slightly to $4.6 million in the quarter ended March 31, 2001 from $4.7 million in the quarter ended March 31, 2000 while decreasing as a percentage of total revenues to 9.3% from 11.1%.

COST OF REVENUES Cost of revenues consists primarily of personnel costs, costs of purchasing and maintaining systems and networks used in processing qualification and activation transactions (including depreciation and amortization of systems and networks) and amortization of capitalized software and acquired technology. Cost of revenues may vary as a percentage of total revenues in the future as a result of a number of factors, including changes in the volume of transactions processed, in the mix of transaction revenues between revenues from on-line transaction processing and revenues from processing transactions through the Company's TeleServices Group and changes in the mix of total revenues among transaction revenues, software licensing revenues, and consulting and services revenues and hardware revenues.

Transaction cost of revenues increased by 59.7% to $14.5 million in the quarter ended March 31, 2001 from $9.1 million in the quarter ended March 31, 2000, while increasing as a percentage of total transaction revenues to 56.0% from 44.4%. The increase in transaction cost of revenues for the quarter ended March 31, 2001 resulted principally from increases in transaction volume and costs attributable to expansion of the Company's staff and systems capacity. The increase in transaction cost of revenues as a percentage of total transaction revenues for the quarter ended March 31, 2001 principally resulted

from costs attributable to expansion of Lightbridge's staff and systems capacity, particularly for Lightbridge's TeleServices Call Centers. Transaction cost of revenues was also affected by a shift in the mix of services provided during the quarter ended March 31, 2001 compared to services provided in the comparable period in the prior year.

Software licensing cost of revenues decreased slightly to $0.6 million in the quarter ended March 31, 2001 from $0.7 million in the quarter ended March 31, 2000.

Consulting and services cost of revenues increased by 16.2% to $4.7 million in the quarter ended March 31, 2001 from $4.1 million in the quarter ended March 31, 2000, while decreasing as a percentage of total consulting and services revenues to 43.8% from 45.9%. The dollar increase in consulting services cost of revenues was attributable to the increase in consulting and service revenue. The decrease in consulting and services cost of revenue as a percentage of consulting and services revenues during the quarter ended March 31, 2001 was due to increased utilization of the consulting resources.

Hardware cost revenues decreased slightly to $3.2 million in the quarter ended March 31, 2001 from $3.9 million in the quarter ended March 31, 2000. This decrease was attributable to a shift in the mix of products sold during the quarter ended March 31, 2001.

DEVELOPMENT COSTS. Development expenses include software development costs which consist primarily of personnel and outside technical services costs related to developing new products and services, enhancing existing products and services, and implementing and maintaining new and existing products and services.

Development expenses increased by 16.0% to $8.1 million in the quarter ended March 31, 2001 from $6.9 million in the quarter ended March 31, 2000, while decreasing as a percentage of total revenues to 16.3% from 16.4%. The dollar increase in development costs for the quarter ended March 31, 2001 resulted primarily from the addition of engineering personnel necessary to support Lightbridge's product development plans. Included in these development efforts were the development of enhanced versions of its Fraud Management software product, FraudBuster, the continued enhancement of its Customer Acquisition System and Retail Management System, the development of its Fraud Management software products, Alias and @Risk, and the development of PrePay Open and PhoneFuel. Lightbridge expects to continue to engineering and development efforts in order to enhance its existing products and services, including its Channel Solutions, Fraud Management and PrePay products and services, as well as to develop new products and services.

SALES AND MARKETING. Sales and marketing expenses consist primarily of salaries, commissions and travel expenses of direct sales and marketing personnel, as well as costs associated with advertising, trade shows and conferences.

Sales and marketing expenses increased slightly to $5.8 million for the quarter ended March 31, 2001 from $5.5 million in the quarter ended March 31, 2000, while decreasing as a percentage of total revenues to 11.8% from 13.1%. The increase for the quarter ended March 31, 2001 was due to the continued investment in sales and marketing efforts, both domestically and internationally, in order to increase penetration of existing accounts and to add new clients and markets.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist principally of salaries of executive, finance, human resources and administrative personnel and fees for outside professional services.

General and administrative expenses increased by 6.2% to $4.9 million in the quarter ended March 31, 2001 from $4.6 million in the quarter ended March 31, 2000, while decreasing as a percentage of total revenues to 9.8% from 10.7%. This increase was primarily due to additional staffing levels.

12

MERGER RELATED COSTS. In connection with the Corsair merger, Lightbridge recorded a charge of approximately $6.0 million, representing the cost of professional services and fees of approximately $5.7 million and costs associated with the termination of four employees of approximately $0.3 million.

OTHER INCOME, NET. Other income, net in the quarters ended March 31, 2001 and March 31, 2000 consisted predominantly of interest income. Other income, net increased slightly to $1.2 million in the quarter ended March 31, 2001 from $1.1 million in the quarter ended March 31, 2000. This was primarily due to an increase in interest income as a result of higher average cash balances during the quarter ended March 31, 2001.

PROVISION FOR INCOME TAXES. Lightbridge's effective tax rate was 36.5% (excluding merger-related expenses) and 36% for the quarters ended March 31, 2001 and 2000, respectively. The income tax provision reflects a net benefit of $1.3 million for the quarter ended March 31, 2001. This was based upon the annual effective tax rate of 36.5%, offset by a $4.5 million tax benefit principally related to the acquired net operating loss carryforwards of Corsair and the deductible portion of merger costs incurred in connection with the acquisition of Corsair.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, Lightbridge had cash and cash equivalents and short-term investments of $103.2 million. Lightbridge's working capital increased 1.9% to $111.8 million at March 31, 2001 from $109.7 million at December 31, 2000.

During the first quarter of 2001 the Company generated cash flows from operating and financing activities of $7.1 million and $0.7 million, respectively, and used $1.0 million in investing activities.

The Company's capital expenditures totaled $3.2 million for the quarter ended March 31, 2001. The capital expenditures during these periods were principally for the Company's services delivery infrastructure and computer equipment for software development activities.

The Company has a $15.0 million unsecured working capital line of credit with a bank. Borrowing availability on the working capital line of credit is based on the amount of qualifying accounts receivable. Advances under the working capital line of credit bear interest at the bank's prime rate (8.0% at March 31, 2001). The working capital line of credit also provides for the issuance of letters of credit, which reduce the amount that may be borrowed under the line of credit and are limited to $1.25 million in the aggregate. At March 31, 2001, there were no borrowings outstanding under the working capital line of credit. Borrowing availability at March 31, 2001 was $14.0 million for the working capital line of credit. At March 31, 2001 the Company has an outstanding letter of credit in the amount of $1.0 million which expires in May 2002. The Company's agreement with the bank contains covenants that, among other things, prohibit the declaration or payment of dividends and require the Company to maintain certain financial ratios which the Company believes are not restrictive to its business operations. The working capital line of credit expires in August 2001.

INFLATION

Although certain of Lightbridge's expenses increase with general inflation in the economy, inflation has not had a material impact on Lightbridge's financial results to date.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133 to clarify four areas causing difficulties in the implementation. The amendment included expanding the normal purchase and sale exemption for supply contracts, permitting the offsetting of certain

13

intercompany foreign currency derivatives and thus reducing the number of third party derivatives, permitting hedge accounting for foreign-currency denominated assets and liabilities, and redefining interest rate risk to reduce sources of ineffectiveness. Lightbridge adopted SFAS 133 and the corresponding amendments under SFAS 138 on January 1, 2001. SFAS 133, as amended by SFAS 138, did not have a material impact on Lightbridge's consolidated results of operations, financial position or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE MARKET RISK DISCLOSURES

The market risk exposure inherent in Lightbridge's financial instruments and consolidated financial position represents the potential losses arising from adverse changes in interest rates. Lightbridge is exposed to such interest rate risk primarily in its significant investment in cash and cash equivalents and the use of fixed- and variable-rate debt to fund its acquisitions of property and equipment in past years.

Market risk for cash and cash equivalents and fixed-rate borrowings is estimated as the potential change in the fair value of the assets or obligations resulting from a hypothetical ten percent adverse change in interest rates, which would not have been significant to Lightbridge's financial position or results of operations during the quarter ended March 31, 2001. The effect of a similar hypothetical change in interest rates on Lightbridge's variable-rate debt also would have been insignificant due to the immaterial amounts of borrowings outstanding under Lightbridge's credit arrangements.

For additional information about Lightbridge's financial instruments and debt obligations, see Notes to Consolidated Financial Statements in Lightbridge's Annual Report on Form 10-K for the year ended December 31, 2000.

14

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On February 7, 2001, Lightbridge, Inc. held a special meeting of its stockholders to vote upon the following proposals:

1) To approve the issuance of Lightbridge common stock to be delivered in connection with the merger contemplated by the Amended and Restated Agreement and Plan of Reorganization dated as of November 8, 2000 among Lightbridge, Inc., Corsair Communications, Inc. and Lightning Merger Corporation; and

2) To approve an amendment to Lightbridge's 1996 Incentive and Non-Qualified Stock Option Plan to increase the number of shares of common stock that may be issued thereunder by 2,000,000 shares, from 2,350,000 shares to 4,350,000 shares.

The number of votes cast for and against, as well as the number of abstentions, on each proposal were as follows:

PROPOSAL	VOTES FOR	VOTES AGAINST	ABSTENTIONS
1...	12,380,610	17,186	11,139
2...	9,005,964	3,323,218	79,753

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

NO.	DESCRIPTION
10.1	Amendment to Lightbridge's 1996 Incentive and Non-Qualified Stock Option Plan
99.1	Information set forth under the heading "ITEM 1A. Risk Factors" in the Annual Report on Form 10-K of the Company for the year ended December 31, 2000 is incorporated herein by reference

(b) Reports on Form 8-K

On February 9, 2001, the Company filed a Current Report on Form 8-K to report under Item 2, Acquisition or Disposition of Assets, that on February 7, 2001, the Company acquired all of the outstanding capital stock of Corsair Communications, Inc. pursuant to an Amended and Restated Agreement and Plan of Reorganization dated as of November 8, 2000.

On March 15, 2001, the Company filed an amendment to its Current Report on Form 8-K initially filed on February 9, 2001 to report under Item 7, Financial Statements, Pro Forma Financial Information and Exhibits, certain financial statements of Corsair Communications, Inc. and certain pro forma financial information of Lightbridge, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIGHTBRIDGE, INC.

By:

Harlan Plumley
VICE PRESIDENT, FINANCE AND
ADMINISTRATION,
CHIEF FINANCIAL OFFICER AND TREASUR
(PRINCIPAL FINANCIAL AND CHIEF ACCOUN
OFFICER)

Date: May 15, 2001