

Pendrell Corp
Form 10-Q
August 05, 2011
Table of Contents

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 quarterly period ended June 30, 2011

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 001-33008

PENDRELL CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

98-0221142
(IRS Employer
Identification No.)

2300 Carillon Point, Kirkland, Washington 98033
(Address of principal executive offices including zip code)

(425) 278-7100
(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 .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

As of August 1, 2011, the registrant had 206,086,856 shares of Class A common stock and 53,660,000 shares of Class B common stock outstanding.

Table of Contents

PENDRELL CORPORATION

FORM 10-Q

For the three and six months ended June 30, 2011

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	
<u>Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4.	
<u>Controls and Procedures</u>	24
<u>PART II. OTHER INFORMATION</u>	
Item 1.	
<u>Legal Proceedings</u>	25
Item 1A.	
<u>Risk Factors</u>	25
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item 3.	
<u>Defaults Upon Senior Securities</u>	26
Item 4.	
<u>Removed and Reserved</u>	26
Item 5.	
<u>Other Information</u>	26
Item 6.	
<u>Exhibits</u>	26
<u>Signatures</u>	27
Certifications	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Pendrell Corporation****Condensed Consolidated Balance Sheets****(In thousands, except share data, unaudited)**

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 320,515	\$ 20,771
Receivable from DISH Network associated with disposition of assets	10,000	
Prepaid expenses and other current assets	4,584	701
Total current assets	335,099	21,472
Property in service net of accumulated depreciation of \$588 and \$511, respectively	263	286
Other assets	169	169
Investment in DBSD		23,650
Intangible assets	4,731	
Goodwill	1,149	
Total	\$ 341,411	\$ 45,577
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIENCY) IN ASSETS		
Current liabilities:		
Accounts payable	\$ 309	\$ 403
Accrued expenses	10,547	14,836
Payable to affiliates		1,292
Accrued interest	26,707	23,759
Capital lease obligations	15,262	14,948
Total current liabilities	52,825	55,238
Income tax	10,784	12,973
Total liabilities	63,609	68,211
Commitments and contingencies (Note 6)		
Stockholders' equity (deficiency) in assets:		
Preferred stock, \$.01 par value, 75,000,000 shares authorized, no shares issued or outstanding		
Class A common stock, \$.01 par value, 900,000,000 shares authorized, 261,772,807 and 258,294,712 shares issued, and 203,475,947 and 200,069,966 shares outstanding	2,618	2,583
Class B convertible common stock, \$.01 par value, 150,000,000 shares authorized, 84,663,382 shares issued and 53,660,000 shares outstanding	847	847
Additional paid-in capital	2,791,189	2,787,533
Treasury stock, 58,296,860 and 58,224,746 shares of Class A common stock and 31,003,382 shares of Class B convertible common stock	(877,833)	(877,725)
Accumulated other comprehensive loss	(15,193)	(13,071)
Accumulated deficit	(1,623,826)	(1,922,801)

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Total stockholders' equity (deficiency) in assets	277,802	(22,634)
Total	\$ 341,411	\$ 45,577

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

Table of Contents**Pendrell Corporation****Condensed Consolidated Statements of Operations****(In thousands, except share and per share data, unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 195	\$	\$ 195	\$
Operating expenses:				
General and administrative	2,708	4,040	9,193	8,586
Contract settlements			(4,735)	
Total operating expenses	2,708	4,040	4,458	8,586
Operating loss	(2,513)	(4,040)	(4,263)	(8,586)
Interest income	49	5	56	5
Interest expense	(1,160)	(1,072)	(2,239)	(2,144)
Gain associated with disposition of assets			300,886	
Other income	1,406	1,263	1,803	511
Income (loss) before income taxes	(2,218)	(3,844)	296,243	(10,214)
Income tax benefit		41	2,732	1,766
Net income (loss)	\$ (2,218)	\$ (3,803)	\$ 298,975	\$ (8,448)
Basic income (loss) per share	\$ (0.01)	\$ (0.02)	\$ 1.19	\$ (0.04)
Diluted income (loss) per share	\$ (0.01)	\$ (0.02)	\$ 1.17	\$ (0.04)
Weighted average shares outstanding used to compute basic income (loss) per share	252,522,993	251,419,482	252,243,044	235,256,830
Weighted average shares outstanding used to compute diluted income (loss) per share	252,522,993	251,419,482	256,159,850	235,256,830

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

Table of Contents

Pendrell Corporation

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands, unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income (loss)	\$ (2,218)	\$ (3,803)	\$ 298,975	\$ (8,448)
Other comprehensive income (loss):				
Cumulative translation adjustments	(898)	350	(2,122)	(453)
Comprehensive income (loss)	\$ (3,116)	\$ (3,453)	\$ 296,853	\$ (8,901)

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

Table of Contents**Pendrell Corporation****Condensed Consolidated Statements of Cash Flows****(In thousands, except share data, unaudited)**

	Six months ended June 30,	
	2011	2010
Operating activities:		
Net income (loss)	\$ 298,975	\$ (8,448)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	2,271	1,095
Depreciation	59	63
Unrealized foreign exchange gains	(534)	(977)
Gains associated with contract settlements	(4,735)	
Gain associated with disposition of assets	(300,886)	
Other	(1,474)	401
Other changes in certain assets and liabilities, net of Ovidian Group acquisition:		
Prepaid expenses and other current/non-current assets	(2,338)	(402)
Accounts payable	(94)	(964)
Accrued interest payable	2,038	1,527
Other accrued expenses	(2,797)	(1,022)
Net cash used in operating activities	(9,515)	(8,727)
Investing activities:		
Purchases of property	(36)	
Payments from/(to) affiliates	246	(547)
Proceeds associated with disposition of assets	314,536	
Acquisition of Ovidian Group, net of cash acquired of \$150	(5,850)	
Net cash provided by (used in) investing activities	308,896	(547)
Financing activities:		
Proceeds from exercise of stock options	132	
Proceeds from Rights Offering		30,009