

Pendrell Corp  
Form 10-Q  
July 28, 2017

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, 2017

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)

Washington 98-0221142  
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)

2300 Carillon Point, Kirkland, Washington 98033

(Address of principal executive offices including zip code)

(425) 278-7100

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(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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 21, 2017, the registrant had 19,305,392 shares of Class A common stock and 5,366,000 shares of Class B convertible common stock outstanding.

PENDRELL CORPORATION

FORM 10-Q

For the three and six months ended June 30, 2017

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## Pendrell Corporation

## Condensed Consolidated Balance Sheets

(In thousands, except share data, unaudited)

	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 148,429	\$ 174,631
Accounts receivable	50,007	15,457
Other receivables	87	669
Prepaid expenses and other current assets	432	262
Total current assets	198,955	191,019
Property in service – net of accumulated depreciation of \$551 and \$531, respectively	56	74
Non-current accounts receivable	16,555	16,555
Other assets	29	29
Intangible assets – net of accumulated amortization of \$62,939 and \$62,884, respectively	3,534	4,716
Total	\$ 219,129	\$ 212,393
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND NONCONTROLLING INTEREST</b>		
Current liabilities:		
Accounts payable	\$ 907	\$ 125
Accrued expenses	10,599	6,278
Income taxes payable	555	—
Other liabilities	81	95
Total current liabilities	12,142	6,498
Other non-current liabilities	6,412	7,796
Total liabilities	18,554	14,294
Commitments and contingencies (Note 7)		
Shareholders' equity and noncontrolling interest:		
Preferred stock, \$0.01 par value, 75,000,000 shares authorized, no shares issued or outstanding	—	—
Class A common stock, \$0.01 par value, 900,000,000 shares authorized 25,067,534 and 27,268,261 shares issued, and 19,290,646 and 21,491,373 shares outstanding	2,128	2,151
Class B convertible common stock, \$0.01 par value, 150,000,000 shares authorized, 8,466,338 shares issued and 5,366,000 shares outstanding	537	537

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Additional paid-in capital	1,950,309	1,962,178
Accumulated deficit	(1,746,768)	(1,763,060)
Total Pendrell shareholders' equity	206,206	201,806
Noncontrolling interest	(5,631 )	(3,707 )
Total shareholders' equity and noncontrolling interest	200,575	198,099
Total	\$219,129	\$212,393

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

## Pendrell Corporation

## Condensed Consolidated Statements of Operations

(In thousands, except share and per share data, unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue	\$35,122	\$45,003	\$35,122	\$58,503
Operating expenses:				
Cost of revenues	229	17,972	229	17,972
Patent administration and related costs	236	232	493	594
Patent litigation	7,103	688	8,453	3,415
General and administrative	1,588	1,692	3,480	3,682
Stock-based compensation	914	939	1,729	2,051
Amortization of intangible assets	590	2,377	1,179	4,758
Contract termination costs	—	—	3,161	—
Total operating expenses	10,660	23,900	18,724	32,472
Operating income	24,462	21,103	16,398	26,031
Interest income	325	157	608	294
Gain on contingency	—	—	—	2,047
Other expense	(2 )	(3 )	(4 )	(5 )
Income before income taxes	24,785	21,257	17,002	28,367
Income tax expense	582	—	582	—
Net income	24,203	21,257	16,420	28,367
Net income (loss) attributable to noncontrolling interest	(25 )	(163 )	(49 )	382
Net income attributable to Pendrell	\$24,228	\$21,420	\$16,469	\$27,985
Basic income per share attributable to Pendrell	\$0.98			